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JANUARY, 1955

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AMERICAN MANAGEMENT ASSOCIATION

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The Management Review

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Contents

Industrial Progress of the Future

TO BE A manager implies responsibility for attempting to master the economic and social environment; for planning, initiating and carrying through changes in economic conditions; for constantly pushing back the limitations of economic circumstances on the enterprise's freedom of action and on the economy's standard of living.

Management is not just a creature of the economy; it is partly the creator of the economy as well. And only to the extent to which it masters economic circumstances and changes them by conscious, directed action is it really doing its job.

Today management is confronted with tremendous technological change, which creates outstanding opportunities for constructive and productive management action all over the world. But it is also a situation which presents management with grave new responsibilities, a change which makes unprecedented demands on its competence, its knowledge, its performance, and its sense of responsibility.

The technological changes now occurring will require tremendous numbers of highly skilled and highly trained men—to design the new tools, to produce them, to maintain them, to direct them. Moreover, it will require much greater delegation of decision-making authority to the management of small units than was needed under former conditions.

Above all, however, the new technology will make tremendous demands on management: on its competence, its vision, its economic knowledge and skill, its ability to make rapid decisions, its flexibility—in short, its ability to manage.

It will be absolutely impossible to operate the new technology and to derive its benefits under any form of centralized planning from the top. Hence, it will be even more essential that management at the bottom of an enterprise be as capable and as competent as it is at the middle or at the top levels.

What, then, concretely, are these new demands that technological changes are about to make on management—its vision, knowledge, skill and competence? They are eight in number.

First, the new technology requires that management learn to understand fully what is involved, and add a new dimension to its competence and to its vision.

The new principles of production demand, secondly, that management create markets by conscious and systematic work on the long-range job of changing consumers' habits and of educating them to an understanding of the new opportunities that rising incomes and advancing technology open up for a higher standard of living.

In the third place, the new technology requires a tremendous increase in the number of trained and educated people in business—an increase of almost astronomical proportions. For the

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new method consists in augmenting man's control over his economic environment by multiplying his mind-power—whereas in the past we have attempted to multiply first his physical strength and then his skill. Management has a tremendous responsibility for finding people of the proper ability—no matter what their birth, religion, racial origin, or formal education; for giving them the vision they need; and for conveying to them the knowledge, the skills, and the understanding they require. Our society will no longer be able to afford large masses of uneducated people; the more educated, the more conceptually trained, the more managerial people we possess, the stronger we become.

In the fourth place, the highly trained, highly educated employees whom we need in the business of today and tomorrow—people who will have to work by using their own judgment and their own knowledge—must be led to give their best voluntarily. They must be managed by objectives and measurements, by persuasion and leadership. Thus, the new technology involves new competence, new skill, and a new basic underst nding in the management of working people.

Fifth, in the interest of the business as well as in that of society, we will have to learn to make employment as stable as possible. I am not referring to the guaranteed annual wage some of our union leaders are talking about. The attempt to guarantee security of employment is futile, and in the process of attempting it, we would tend to paralyze our economy. But the interests of the individual business enterprise themselves, as well as those of society, demand that we go as far as is economically sound in the direction of stabilizing employment.

Sixth, the new technology imposes upon management decisions for an even longer future than the one for which we have to make plans and decisions now. Hence, management obviously needs much better tools to make long-range decisions than we now possess; tools of economic analysis which go far beyond the attempt to read the business cycle to which so many managers and economists confine themselves today.

In the seventh place, the need for long-range decisions also means that management development becomes vital in every business. For only the deliberate training of managers who can rectify the positions management takes today can convert long-range decisions for an uncertain and always unknowable future into rational and successful ones for tomorrow.

Finally, we have to learn to apply much more thoroughly and much more consistently the science of management. The more we apply the principles and concepts of scientific management to the actual job of running a business enterprise, the better we shall manage. The challenge which the industrial progress of the future poses to top management is above all else to apply in practice what we have learned in 60 years of scientific management.

It is also a challenge to us to make of management a bond of unity. In this age of nationalist passions, we sorely need common ties transcending the barriers of language, class, race, and custom. One such bond, the greatest, is religion. Another one is science, with its universal language and its universal method. A third one

should be management, with its common problems, its common work, its universal responsibilities. The extent to which we make management a bond of unity, internally as well as internationally, will be the test of our claim to leadership in today's industrial society.

—From an address by H. W. PRENTIS, JR. (Chairman of the Board, Armstrong Cork Company) before a General Electric Leadership Conference at Association Island, Henderson Harbor, N. Y.

Good News About Business Prospects

IN 1955 American industry is currently planning to spend within 5 per cent of the amount it spent in 1954 on new plant and equipment. This is the result of a survey just completed by the McGraw-Hill Department of Economics.

Hundreds of companies—by far the largest number in the eight-year history of these surveys—cooperated in the check-up. Combined, they represent 29 per cent of all industrial employment and over 60 per cent of employment in the industries where capital investment is highest. Such a broad cross section constitutes a reliable gauge of the plans of industry as a whole.

What is the meaning of these plans for capital investment in 1955? Is it good or bad news, so far as it concerns the prospect of continuing prosperity?

A high level of activity in the capital goods industries is universally recognized as a particularly potent ingredient of prosperity for the nation as a whole. A dollar spent for capital goods is spent again and again for wages and materials. Its stimulating effects, called by economists "multiplying effects," move through the economy in much the same way that a pebble tossed into a pond creates a widening circle of ripples. This is one reason why there is such intense business interest in the surveys of plans for capital investment.

Here are the principal reasons why the results of the McGraw-Hill survey are a good omen for continuing prosperity:

1. American industry is demonstrating that it does not need the stimulus of war-created shortages, or a rearmament boom, in order to maintain a very high level of capital investment. The slight decrease now planned for 1955 will still maintain a level only about 11 per cent below the all-time peak attained in 1953 under the stimulus of a defense expansion boom.

2. Capital investment promises not merely to stabilize at a high level, but actually to increase as 1955 goes on and thus give renewed stimulus to business. The level of investment now planned for 1955 by *industry*—manufacturing, petroleum, mining, transportation, communications, and utilities—is within 5 per cent of 1954. Contract awards for commercial construction—stores, office buildings, warehouses, and other service estab-

ments—indicate a substantial increase in 1955. Thus, total capital expenditures by business as a whole may be very near this past year's total.

Actually, in the fourth quarter of 1954, business capital expenditures, as reported to the U. S. Department of Commerce, were down about 2.5 per cent from the average for the year as a whole. So there is a good chance that during 1955 the annual rate of capital investment will rise above this present level.

The plans reported by the McGraw-Hill survey are preliminary plans, reported at the beginning of the period of business budgeting for 1955. As budgets are completed, new projects may bring the total expenditure that is planned even closer to this year's figure and thus make an even greater contribution to continuing prosperity.

But it also cannot be too strongly emphasized that these are plans; they are not accomplished investments. As such they have the vulnerability to changed conditions that characterize any plans.

There is some indication in the results of the McGraw-Hill check-up that one change in conditions recently made by the U. S. government has had an important stimulating effect on plans for business investment next year. It is a liberalization of the allowances for depreciation. Apparently encouraged by this provision, most of the smaller companies are planning to maintain or increase their purchases of new equipment next year, whereas during the past three years their expenditures have been declining. This is obviously a development that strengthens our economy.

Whether the extraordinarily constructive program recently enacted by the Federal Government in the field of business taxation can be sustained remains to be seen. If it can be sustained, the remarkably cheering plans of business for capital investment in 1955 can readily become firm foundations for a continuing prosperity.

—DONALD C. MCGRAW. *Industrial Distribution*, December, 1954.

New Ventures on the Increase

This past year new business incorporations have been recorded at the rate of more than 9500 a month, compared with about 8600 last year. But the ten-months' gain of 10.5 per cent in number of new businesses chartered is not so striking as the fact that, compared with 1951, the over-all total was 36 per cent higher.

Even more impressive are the results of a long-range study recently completed by the Office of Business Economics of the Department of Commerce. A census by states and regions of all business firms in operation has disclosed a remarkable increase in the past decade, with certain regions of the country displaying an unprecedented growth in trades and industries. For the nation as a whole, the count of all business enterprises operating at the beginning of this year showed a rise of 47 per cent since 1944. During this period, the number of wholesale firms increased 68 per cent, while contract

construction companies went up in number by nearly 200 per cent.

A net rise in number of businesses in operation immediately following the end of the war was expected. But in the second half of 1954 the country was coming out of what had been called a recession, and long before this emergence became plain, thousands of enterprising investors went into business. Despite a rise in 1954 of 27 per cent in number of failures, they managed to make the year's total of new stock corporations up to November 1 the largest since 1946. This is a convincing gauge of courage at a time when the gloomier economists were citing a variety of reasons why unemployment was getting worse.

—*The Biddle Survey* (Biddle Purchasing Company, New York) 11/30/54

Executive Health Problems: Fact vs. Fancy

AMONG THOSE who know health problems best, it's advertising executives by 1½ to one.

A study of the physical conditions of executives in four leading fields of business, conducted last year by Life Extension Examiners, indicates that 50 per cent more advertising men and women "mentioned some symptom or complaint at the start of the examination," and had "some real or imagined health problem on their minds" than did their nearest competitors for this honor, manufacturing executives.

These facts are reported in a recent issue of *Stores*, official publication of the National Retail Dry Goods Association. Discussing the advisability of requiring executives to undergo periodic checks, *Stores* observes that the typical executive is likely to be a "health worrier." Having read endless newspaper and magazine articles about cancer, heart disease and similar insidious illnesses, the executive usually has a conviction that one of these interesting conditions is about to descend upon him.

However, says *Stores*, "A careful review of the findings listed in actual examinations will show that the typical executive is a long way from invalidism. He may show early tendencies toward conditions that can later become dangerous, and he can be told how to guard against them."

The publication quotes one doctor's formula for getting heart disease: "Be an executive, be overweight, and smoke more than a pack of cigarettes a day. A tendency toward high blood pressure, added to these factors, makes the perfect subject . . ."

Retailers, the paper says, show less concern about their health than groups in equal or better health from other industries. Two out of five banking executives had health complaints to communicate to the doctors, about the same percentage of manufacturing executives reported various pains and aches, and fewer than 30 per cent of the retailers thought they had any abnormal symptoms worth reporting.

But the advertising executives topped the field, with slightly more than three-fifths of those examined telling the doctors how sick they thought they were.

No other group can make this statement.

—*Advertising Age* 10/4/54

THE BIGGEST REWARD for a thing well done is to have done it.

—*Voltaire*

The Urge to Merge

MERGERS of important U. S. industrial corporations are taking place at the astonishing rate of about 45 a month. This is a count only of those mergers big enough to receive national press notice; probably a score of lesser companies "disappear" daily through the same process. Since 1946, interest in mergers has been so broad that practically every corporation in the U. S. with a net worth of $1 million has been approached with a merger proposition, or has itself approached another company with a deal. Ordinary companies have also been flooded with merger offers; and even some ill-favored corporations, losing money and presumably unloved and unwanted, seem to be involved in merger negotiations about as much as more fortunate firms. There are four underlying reasons for the merger movement, and unless there are basic changes in the economy, the trend will go on at about its present rate.

Reason No. 1: Merging for growth. Few American executives any longer consider it safe to cut out a nice little share of a market and sit with it. A minimum objective is to keep pace with the normal growth of the general economy, and merger is the quickest and cheapest method. Merger can be horizontal (broadening a company's base in similar markets), vertical (moving forward to the consumer level or back to raw materials in an industry), or conglomerate (banding together companies in dissimilar industries). Industrial imperialists, out to build bigger and bigger companies for power, must merge if their objectives are to be met in a lifetime. Growth and merger are so closely related that it is impossible to name a prominent corporation that hasn't a whole series of mergers in its history.

Reason No. 2: Market mergers. The changing American market exerts continuous pressure on corporations to merge. Market factors have to do with the development or obsolescence of product, shifts from buyers' to sellers' markets (and back), regional market developments, shifts in supply, substitutes in raw materials—a maze that can make a normally stable corporation dizzy. This was particularly apparent after the war. At that time industry encountered heavy demand and acute shortages of materials. Companies of moderate size, which never before had had a supply problem, found themselves unable to fill orders. They were faced with the choice of merging their suppliers or being merged. Scores of mergers are brought about either by changing tastes in products or by new technologies opening new markets within a corporation's distribution system. For example, the automatic washing machine enjoyed a tremendous postwar demand. Avco Corp., large manufacturer of radios, television, refrigerators, and ranges, found merger with Bendix Home Appliances a rapid, if expensive, way to fill this hole in its product line.

Reason No. 3: Taxes generate mergers. The attractions of income from tax-free securities, when compared to the problems of retaining earnings sub-

ject to corporate and personal income taxes, are great enough to precipitate mergers today.

In the case of a man with a million dollars employed in a business, the arithmetic of tax-free vs. taxable earnings remains constantly before him. He must inevitably question the advisability of continuing to risk this money in business. If his company is earning 20 to 30 per cent after taxes and is enjoying solid growth, the decision to go ahead with the risk is fairly easy. But if his per cent of earnings on capital drops after taxes even to 15 per cent (national average earnings on capital employed in all corporations in 1953 was 10.4 per cent), he has a major decision on his hands. Fact is, even a drop to 15 per cent may force him to sell at under book value. Let us assume, however, that he can sell his business for the $1-million book value. After paying capital-gains taxes he will have 75 per cent of his fortune left. Depending upon his tax bracket, this reduced sum, put into tax-free governments, can give him net income equal to 12 per cent earnings on the whole sum employed in his corporation, without either short or long risk. In this instance it takes a hard-shelled entrepreneur, or a bachelor with no dependents, to turn down a reasonable offer to merge.

Accumulated loss provokes mergers of corporations facing dreary futures; it also makes a corporate shell (a company stripped of all physical assets) attractive. The value of this red ink is due to the loss carry-back and carry-forward provision of the income-tax laws. Using this provision, a corporation can carry back part of the losses to offset previous profits on which it has paid taxes, and gets a check from the Treasury Department for the difference. Thus a corporation pays taxes on its average earnings over a period of years instead of having to pay huge sums one year and none the next.

No. 4: Merger for survival. Mergers between companies in sick industries, and between companies plagued by high unit costs and declining volume became more and more common during the past few years of hot market competition. Mergers for survival during the past year have been so frequent that the corporate pattern of at least two industries, textiles and motorcars, has been transformed, and many companies are so changed their names are no longer descriptive of their businesses.

An absorbing occupation for connoisseurs is to set down the figures of two companies in neat parallel columns, and then project the greater sales volume and lower costs of the merged companies into the profits of the next year. Compared to the results scored individually the year before, such a calculation makes the net profit after merger look enormous. In cold fact, however, costs tend to rise the first year of merger, particularly in the distribution end, where potential savings are likeliest. If sales departments are consolidated, two teams of salesmen must be combined and taught how to sell the additional products at low cost. Every move, from consolidating offices to printing new literature, costs money. Physical costs such as these could be estimated, but there is no way of estimating the cost of dissension among sales employees. The problem of general employee morale likewise cannot be tabu-

lated from balance sheets and operating statements. The more similar the companies, the worse the problem of merging people; choosing the better of two people to fill the job, right down the line to secretary, in practice is a hopeless task. Top jobs are, of course, traded out before the papers are signed. Unless this is done successfully, careful executives back away from a merger, even though they hold a controlling stock interest in the other company and can force amalgamation.

There is a saying on Wall Street that a major merger or consolidation movement marks the beginning of the end of a boom. Future historians may call this one "The Consolidations of the Managers in 1940-50's." There is also a good chance they will report that this one did not portend the end of a boom.

—William B. Harris. *Fortune*, November, 1954, p. 102:9.

Some Marks of Successful Management

Ability to function successfully as a manager is not necessarily a product of technical knowledge or working experience. It is true that experience is a valuable personal asset, but only if the individual has the capacity to learn from experience and apply what he has learned to the constructive benefit of himself and the business. We all know every business has competent individuals with long service, who—though in many respects they are the backbone of the business—are unable, for one reason or another, to turn that experience into an asset which substantially furthers personal progress into the realm of management.

The primary test, I would suggest, of every individual approaching or actually in the area of management is a relatively simple one. It is an attitude of mind and an ability constantly to raise his level of thinking about himself, about his job, about his relationship to the business and to his associates, and about the relationship of the business to the public.

At the very lowest level is the individual whose thoughts, even while he works, are centered on himself and on personal interests unrelated to his work.

At successively higher stages are the man who, at least while he is working, puts his mind on his job; the man who competes with himself and with everyone else to see how well he can do his work; and the man who strives to understand what he is doing and why, and the relationship of what he does to the work of other people. Finally, the man who learns to think less in personal terms and more in terms of the needs of the business may reach the executive or directing level and, ultimately, the administrative level which deals primarily with policy. His attributes are developed into an ability to operate as an owner, but with the full realization that he does so as a trustee for stockholders, for employees, and for the public.

Today management has to embody within its objectives a full consideration of their social effects. Included in this is the principle of operating a business that is sound and will be permanent; one that makes a definite contribution to the welfare and stability of the community; and one that does not bring unnecessary hazards to its owners, its management, and its staff.

If this principle is applied, actions or policies cannot be measured primarily in terms of self-interest. In fact, today the completely selfish man cannot be a permanent success as a manager or make a permanent success of a business.

Another important requirement is what may be termed "selectivity"—the insight and the ability to make the best choice under the circumstances. This element of selectivity might be defined as a cultivated sense of discrimination, which is the real objective of education. It is the ability to perceive the best ends and the best means to those ends; to distinguish between what is effective and what is ineffective, what is necessary and what is unnecessary, what is important and what is unimportant, what should be done now and what should be done later; and the like. It enters into practically every day-to-day decision of a manager. His success can be related to his proper selection of the issues needing attention, and whether the time is now or later.

In the final analysis, the success of product, plant, and process always turns on the selection of the people who give life and productive value to physical assets. The principal tool of management is the ability to assess the values, the possibilities, and the uses of men in terms of the fundamentals on which the future of the business depends. Without it, everything physical tends to lose its value; the organization fails to move or moves ineffectively. A good man can produce good results despite a poor system, and the best system never will be an adequate substitute for a good man.

Another aspect of selectivity is timing. Decisions can be made at the wrong time and under the wrong circumstances; and timing can be as wrong in minor decisions as in critical decisions. Poor timing makes difficult decisions more difficult and sometimes will defeat the expected result. I have never known any successful manager who did not have a well-developed sense of the importance of timing.

Successful executives possess a marked capacity to reduce complicated subjects, proposals, or discussions to their simplest terms. This is another kind of selectivity. The manager needs an unusual faculty for grasping and holding up to clear sight the real issue, no matter in what amount of verbiage it has been buried.

Finally, neither men nor businesses stand still. If there is to be progress, there must be motion; and motion comes from decision and action. Frequently it is forgotten that failure to decide and to act is a decision not to do so. The penalties for not making any decision at all can be as great as those for making the wrong decision.

Today there are few businesses which are not beset with management problems, and there are few which

cannot be benefited by better management. Expansion in size, diversification of products, dispersion of production, growing competition, and the change from a seller's to a buyer's market have placed heavier and heavier burdens on management.

Certainly, management is no place for the kind of man who hesitates to tackle tough problems or to deal with complicated issues. As Professor Ernest P. Schell, of the Massachusetts Institute of Technology, has expressed it, the work of management is like that of "a juggler who, at the height of his skill, has many balls in the air, constantly challenging his ability to make them whirl."

—JOSEPH M. DODGE (Chairman, The Detroit Bank). *Michigan Business Review*, September, 1954, p. 1:6.

Who's Getting Unemployment Benefits?

ALTHOUGH unemployment insurance benefits are designed to "tide over" persons out of work through no fault of their own and looking for new jobs, a survey completed recently by the Commerce and Industry Association of New York, Inc., indicates that more than 40 per cent of the $244.6 million in such benefits paid to claimants and charged to the accounts of employers in New York State in the period from July 1, 1953 to June 30, 1954 went to individuals who had brought on their own dismissal, quit voluntarily for reasons of their own, or retired on pension.

Of 11,938 employees receiving a total of $2,993,806.93 in benefit payments charged in the one-year period to the 218 New York State firms participating in the survey, only 43.3 per cent were claimants idled for lack of work. These received 38.4 per cent of the total. Beneficiaries separated from employment for other reasons, and the amounts they received were:

Pregnancy—0.67 per cent of claimants received 0.56 per cent of total; 8.1 per cent, retired under compulsory pension plans, received 15.54 per cent of total; 0.9 per cent, retired under voluntary pension plans, received 1.4 per cent of total; 17.63 per cent, voluntary quits, received 16.3 per cent of total; 8.2 per cent, discharged for misconduct, received 7.8 per cent of total; 0.4 per cent, discharged in industrial controversies, received 0.2 per cent of total; 7.6 per cent, laid off with dismissal pay, received 9.0 per cent of total; and 13.2 per cent, separated from employment for other reasons, received 10.8 per cent of total. (The terms "misconduct" and "voluntary quits" are used in their ordinary meanings, not in the technical sense applied by the State Division of Employment, which catalogs as such cases only those which have been disqualified from receiving benefits.)

LIFE INSURANCE OWNERSHIP in the United States, in terms of aggregate amount of protection, has had its greatest increase in history during the past 15 years. In this period, covering World War II and eight post-war years of relatively high prosperity, the total of life insurance owned by U. S. families grew from $108.9 billion to $304.3 billion—an increase of more than 180 per cent.

—*Life Insurance Fact Book, 1954* (Institute of Life Insurance, 488 Madison Avenue, New York 22, N. Y.)

The "Big Three" Problems in Labor Relations

There are many problems of principle and practice in the field of labor relations. But there are three that I regard as fundamental.

Problem number one is the effect of union activities on costs. Three characteristics of standard union behavior are related to the problem of increased costs:

One is the unceasing drive for higher pay, direct or indirect, open or concealed, and to a large degree regardless of circumstances. This pattern is so deeply ingrained that sometimes we see instances of union leaders announcing that they will not seek much in the way of direct pay increases but instead will be contented to accept increases in fringe benefits—as though increases in fringe benefits did not cost money. Such increases not only do cost money—and a lot of it—but they tend to become even more fixed and immovable elements of cost than an increase in wage rates.

A second characteristic of union behavior which is related to the problem of costs is the drive toward less work. I am not talking now about the occasional agitation for a 30-hour week. I don't know what the work-week will be 20 years from now, and if we can do the necessary work in only 30 hours I'll be for it. I like to fish as well as anyone.

But I am talking about the frequent encouragement of the slowdown, the resistance of many union officials towards any effort to bring work output up to proper levels. No nation, no company and no group of employees has ever yet got rich by not working, but this elementary fact of life has escaped the attention of too many of the men who are directing the activities of labor unions.

The third element of upward pressure on costs comes about through the rigidities that are introduced into the everyday problems of working by such things as jurisdictional lines drawn by unions and the operations of seniority. Again, I am not attacking seniority. I recognize the very real nature of the problem that must be dealt with when a reduction in the working force is required. Some cost may be inescapable; it may be justifiable in many ways; but it is still there and has to be paid.

The bill is footed by the customer, who must eventually pay all the costs of any business. And that is why the upward pressure on costs is the largest labor relations problem that confronts any corporation president in this intensely competitive country. If we are to provide jobs for anybody, our costs have to be a reasonable distance below what the customer is willing to pay.

The second major problem of labor relations is the effect of these activities on employee attitudes. Over the years a great deal of windy nonsense has been uttered about what an employee's attitude toward his employer should be, much of it along the lines of saying, "You must make this job the biggest thing in your life." In the

real world that doesn't happen very often, and it is perfectly plain that there are several considerations which any man will and should put ahead of his job. Just to mention two, there are his family and his personal health.

Nevertheless, it is true that there are a few things an employee owes his company, over and above an honest day's work at his assigned task. He owes the company his loyalty in its daily battle against its competitors in the market place. He ought to be for his company and for its products against all other companies and all other products. He also owes his company his intelligent interest in its affairs and problems. If he can make the company or its products better, he has an obligation to do so, in my opinion. And it is in his own self-interest to do those things.

So one of the things that concerns me about some union activities is the deliberate attempt to drive a wedge between the employee and his company. Too often, unions have gone beyond the point of telling him that the union is a good thing, and far into the zone of trying to persuade him that his company is his natural enemy, never to be trusted or respected, actuated entirely by unworthy motives and managed exclusively by men who are stupid or dishonest or both.

In reality, the relationship between an employee, his union, and his company need not require him to make an exclusive choice. It is not naturally an "either-or" relationship. Men have many loyalties, and I know of no reason why the same individual cannot be both a good union member and a good company man.

Awful tensions may be brought to bear on a normal, peaceful employee when an abstraction called The Union decides to live in a state of perpetual warfare with another abstraction called The Company. Employees deserve better than that. And most companies deserve better than that.

The third problem in labor relations of which I am very acutely conscious is the drive of the unions toward utter uniformity—the attempt to force compliance by everyone with so-called "national patterns." Trying to make every employer agree to the same wage and other contract terms is like trying to make every man wear the same size shoe regardless of the size of his feet. Certainly, what is done in one industry is a proper matter for consideration and discussion with other and similar companies. But I am absolutely opposed to the type of thinking, which is very prevalent now in the larger unions, which would say in effect to a company like mine:

"There isn't anything to consider. We signed this contract with the General Widget Company and we're going to sign it with you, and you aren't going to change one line or comma of it."

The long-range interests of a union's members, and therefore of the union itself, cannot be served by any course of conduct which places upon an employer conditions which are unsuited to his business, or burdens which his business cannot bear. That is another fact of industrial life which must be realized in labor relations, and the sooner it is realized the better it will be for all concerned.

—From an address by JOHN L. MCCAFFREY before the Industrial Relations Association of Chicago.

Improving Your Warehousing Setup

Many an executive who never used to give warehousing a second thought is worrying about it nowadays. Today's buyer expects immediate delivery, even of rarely used items, and he expects them to arrive as fresh and shiny as though they had just stepped off the production line. That means the manufacturer or distributor who wants to hold his customers not only has to keep a good-sized stock on hand, but also has to keep it in good condition and be able to get it out quickly when the order comes in.

At the same time, warehousing is getting more and more expensive. Labor costs are rising, and space itself is far from cheap. It's not surprising, then, to find management in leading companies from coast to coast taking a new, close look at warehousing operations—hunting for opportunities to mechanize transportation, simplify record-keeping, and make better use of storage space.

Whether the problem involves revamping an old warehouse or building a new one, the first and perhaps most important step is deciding exactly what the warehouse is supposed to do—and putting the decision down in writing. Will it be primarily a storage area, or will it be called upon to perform final assembly and inspection, and pack products for shipment? How much material will have to be handled and stored? How will it arrive—and how often? Will it require any special protection? The answers to these and related questions will affect every phase of warehouse planning. They're important, too, in pointing up improvements needed in related operations. The checklist which follows should help you evaluate your own warehousing plans realistically:

Lighting:

Is the level of illumination high enough everywhere—and particularly in bin-storage areas—so labels can be read with ease and mobile equipment driven safely?

Are lamps replaced and fixtures cleaned regularly?

Are floors and racks light enough in color to contribute to over-all brightness?

Handling:

Has a thorough study been made of materials to be handled and equipment needed to do an efficient job?

Are aisles wide enough for easy maneuvering of mobile equipment?

Are overhead cranes, monorails, and other conveyors used to best advantage in bringing products and packages to the warehouse, loading trucks and freight cars, and the like?

Is handling equipment in good condition?

Are palletized loads and cartons stacked neatly and safely?

Storage facilities:

Do you have the right type of rack, bin, and fixtures for each type of product?

Are items stored on an ease-of-handling and frequency-of-call basis—with hardest-to-handle and most frequently ordered items in the easiest-to-reach spot?

Is full advantage taken of overhead space—without attempting to stack materials so high they are difficult or dangerous to reach, and without exceeding the safe floor load?

Are racks, bins, and aisles clearly and systematically labelled for ease of location and record-keeping?

Has air conditioning been considered as a means of protecting stored products as well as for worker comfort?

Are communications adequate? Could a

personal paging system or two-way radio pay for itself by eliminating waste motion and lost time?

Service equipment:

Is there plenty of equipment for cutting materials to size, tying bundles, strapping and sealing packages, and the like?

Is provision made for repair of damaged containers, and for touching up products?

Is a supply of new cartons, labels, and other packaging materials kept handy so emergency shipments can be made up when necessary?

Are scales conveniently located; are they checked for accuracy; do they provide a printed record of shipments?

Maintenance and housekeeping:

Are floors kept clean and in good repair?

Are bins emptied completely at least once a year, and thoroughly cleaned out?

Are power, heat, compressed air, and other services adequate?

Loading facilities:

Are docks and sidings kept in good condition, and are they adequately protected against inclement weather?

Is there equipment for shifting and positioning of freight cars?

Are separate entrances provided for personnel so they do not have to risk injury in getting in and out of the warehouse?

Do entranceways close easily—and are they kept closed in cold weather to reduce heating costs (or in hot weather to preserve air conditioning)?

Has automatic loading been considered? (Rising labor costs may make it economical today, though the investment might not have been justified even two or three years ago.)

Obviously, a warehouse is only as efficient as the plant or plants it serves. If products arrive in odd lots, in poor condition, or wildly assorted shapes, even the most efficient warehouse is likely to bog down in short order.

Furthermore, no warehouse can be expected to do its best if it must function as an isolated outpost. Methods for rapid, clear communication between warehouse, production, and office areas are essential.

Many excellent studies on warehousing are available from government organizations and trade associations. The fact is, there is no shortage of warehousing ideas, or of help in putting them into effect. The big need is for management to recognize warehousing as a top-priority problem and get the gears meshed to provide the best methods and the best equipment for the job.

—ANNESTA R. GARDNER. *Dun's Review and Modern Industry*, October, 1954, p. 32:4.

Billion-Dollar Blazes

FOR THE FIRST TIME in history, the nation's fire losses went over the billion-dollar mark in 1953, according to the National Fire Protection Association.

It was also the fifth successive year in which U. S. fire losses have increased, the NFPA reported in its annual classification of the year's fires and fire losses. Approximately 1,899,400 fires of all types caused a direct loss of $1,021,720,000 in 1953—an increase of $80 million over the 1952 total. Building fires in 1953, the NFPA estimated, totalled 727,000 and caused $889,120,000 damage. An additional 1,172,400 fires not involving buildings—aircraft, motor vehicles, forest, ships, rubbish, grass fires, etc.—accounted for an estimated $132,600,000 loss.

While the number of 1953 building fires represents a 3.4 per cent increase over 1952 figures, the 1953 loss was 12 per cent more than the previous year, the NFPA pointed out. The fire loss at General Motors' Livonia, Mich., plant accounted for almost half of this increase.

Make or Buy—A Survey of Current Trends

WHETHER TO MAKE or purchase certain items is a constantly recurring problem among companies that use a number of parts in manufacturing their products. Contributing to the decision to make or buy are factors of price, quality, assurance of supply, labor conditions, etc. To determine the effect of these factors, and the current trend in make-or-buy decisions, *Purchasing* magazine recently conducted a nation-wide survey of purchasing men. The findings:

Fifty-nine per cent of the respondents reported that at some time during the past year their companies had decided to make materials or products heretofore purchased from outside sources. In 44 per cent of the cases, the company had decided to buy from outside sources materials or products previously made in its own plant. Sixty-five per cent of the respondents see an over-all trend in industry toward greater self-sufficiency.

Thirteen per cent of the purchasing men reported that make-or-buy decisions had significantly changed the ratio of purchased materials to sales in their companies. At the time of replying, 54 per cent of the companies were studying important make-or-buy decisions.

In order of importance, the major considerations in deciding whether or not to move a given item into the shop are cited by respondents as: (1) "Purchase price must be higher than shop cost"; (2) "Purchase price must be higher than shop cost plus a fair profit"; (3) "Desired quality is not obtainable by present method"; (4) "We try to keep the plant busy; no formal cost analysis is made."

Eighty-one per cent of the respondents say they believe that moving items into their own plants during periods of excess capacity will not damage vendor relations enough to handicap them during a sellers' market.

—*Purchasing* 12/54

Open to Suggestions

SUGGESTION SYSTEMS have shown so much growth in recent years that in any given company the chances are now almost 50-50 that a formal suggestion program is currently in operation. Surveying 364 industrial firms representing a cross-section of American industry, *Mill & Factory* recently found that 46 per cent had employee suggestion programs and that 62 per cent of these paid workers for acceptable ideas. Thirty-five per cent solicit suggestions from rank-and-file workers, 4 per cent from supervisors only, and 61 per cent tap both groups. In 90 per cent of the cases the amount of the award is scaled according to the savings effected.

The program is administered by the personnel department in 82 per cent of the companies and by the production department in 21 per cent. Other departments mentioned were Industrial Engineering (6 per cent), Methods (2 per cent), and Special Committees (7 per cent). The preceding figures total more than 100 per cent because some companies split administration responsibility.

The survey also sought to find out the sum of the largest award that any of these companies had paid for a single suggestion. Answer: a cool $9,000.

—*Mill and Factory* 9/54

Helping Your Salesmen Manage Their Time

TYPICALLY, the key to better use of salesmen's time lies in a critical look at the amount of supervision which they get from the home office or regional headquarters. Some firms are currently tightening controls over their men in the field by keeping closer tabs on call schedules to avoid needless backtracking, etc. In other companies, salesmen are being given a freer hand in planning their time and arranging their calls, in the hope that this greater flexibility will enable them to cover their customers more effectively.

The best method for your business obviously depends on your own situation and on the competition you're facing. The answers to the following three questions will help indicate the best solution for your company:

1. Are you losing sales by requiring salesmen to stick too rigidly to route schedules? In most companies, the decision must be based in large measure on the calibre of the salesmen—their reliability, experience, etc.—and on the kind of competition the firm faces.

2. Is supervision spread too thin? Increasingly, sales executives are coming to the conclusion that what might have been considered "adequate" supervision of the sales staff is no longer enough to meet today's market conditions, particularly where there are relatively inexperienced salesmen on the road.

3. Do your salesmen neglect prospecting? Some companies are again requiring their salesmen to devote a specific amount of time each week to prospecting. To make sure that this is done, call reports are checked closely.

Here are some check points for a review that may prove useful in helping you reach a compromise between the need for vital sales data at the home office and the necessity to free salesmen from as many non-selling duties as possible:

1. Is all information on reports essential? One time-saver used by many companies consists of preprinting as much information as possible on the report form. This reduces the salesman's part of the job to simply checking off many of his answers.

2. Would it help to increase the frequency of reports, or reduce the number of reports required? One company, which formerly had its salesmen submit weekly summaries of all calls, found its men were relieved of a heavy psychological burden (and also that they submitted more accurate information) when it shifted to a short daily call report to be mailed at the end of each day.

3. Can you do a better job of showing salesmen you really use their call reports? One of the best ways of stimulating salesmen to do a better job of reporting is to demonstrate that you're using the reports to help them.

4. Can some of the routine work be done just as well by clerks? If the

paperwork load on the salesman is really heavy and if most of it is routine, it may pay to hire an additional clerical worker to handle some of the details—such as pre-typing standard data on the form—which the salesman would otherwise have to fill out himself.

5. Can you suggest methods for more efficient handling? Companies have had good results reminding their salesmen they'll have more free evenings and weekends if they make out reports immediately after calls, use their waiting time for doing paperwork, etc.

6. Will portable dictating machines help your men on the road? Such an investment may pay off if your salesmen must provide a great deal of detailed, accurate information.

Beyond increasing the amount of time salesmen spend actually selling, how can the "quality" of salesmen's calls be improved?

One widely used approach lies in steering them to spend more time on accounts with large sales potentials. The second method is to give each salesman a clear idea of how much of his time he should spend on each product line.

In this connection, almost all businesses can use more and better information about the potentials of individual customers, either as a guide to directing their salesmen's efforts or as a basis on which to allocate their time.

Some firms have improved sales effectiveness by requiring more systematic coverage of territories. At the same time, however, there is growing emphasis on giving salesmen more responsibility to hit accounts selectively and to change call schedules when necessary. Here are some techniques that are being used successfully to achieve broader market coverage while keeping a check on selling expenses:

1. *Adjusting call schedules:* Even companies that traditionally use route schedules to get regular coverage of a territory may find it necessary to revise schedules to insure more calls to inactive accounts and new prospects.

2. *Putting the finger on wasted travel time:* If you exercise little or no control over routing, it may be helpful to trace the schedules of your salesmen by mapping their travels from their call reports.

3. *Planning ahead*: To help its salesmen put home office tips on how to do advance planning into practice, one company sends out large monthly calendars on which they are encouraged to jot down, day by day, notes and ideas for future follow up.

4. *Reducing backtracking for service calls:* To minimize interruptions which run up extra travel time and result in neglect of other accounts, a good many firms are now shifting much of the service load to specialists added to the sales staff in the field. When the salesman encounters a problem or receives a special call, he takes the specialist to the account with him. Generally the trouble-shooter can handle future calls to the account by himself.

—*Staff Report* (Research Institute of America, Inc., 270 Madison Avenue, New York 17, N. Y.), October 7, 1954.

Employee Insurance Plans Mushrooming

A NEW Labor Department survey indicates that the nation's employers are making a much larger contribution to insurance protection of their workers than ever before.

The study disclosed that 95 per cent of the urban workers in the country enjoy some kind of health, pension or other insurance, paid for by their employers either wholly or in part.

The department's Bureau of Labor Statistics, which made the survey, said it could make no precise comparisons with the scope of employer-financed insurance in earlier years, but that a considerable expansion in this field was obvious.

"It is evident," the Bureau said, "that during the past two years insurance and pension protection has been made available for the first time to substantial numbers of workers, while for many others the number or types of benefits available have been increased." The survey, which dealt only with private insurance plans in which employers pay at least a portion of costs, covered six million workers in offices and plants employing 50 or more persons in the country's 17 largest urban areas. It showed that in major labor markets:

1. Nine out of every 10 plant and office workers were covered by life insurance policies wholly or partly employer-paid. Employers carried the entire cost for about half the workers so protected.

2. Eight of every 10 workers surveyed had hospital insurance, with nearly all the plans providing at least some surgical cost reimbursement. More than half the workers also were protected by sickness, accident and medical care insurance.

3. Six of every 10 workers were covered by pension or retirement plans. It was found that three-fourths of the workers surveyed have the entire cost of this coverage paid for them by their employers.

Generally speaking, the proportions of plant and office workers covered for various benefits were about the same. However, 71 per cent of office workers surveyed were covered by pension plans, and only 56 per cent of plant or factory workers were so protected. Sickness and accident insurance covered 65 per cent of plant workers, but only 45 per cent office workers.

—*Journal of Commerce* 12/7/54

A New Fact Book on Manpower

SIGNIFICANT facts relating to current and prospective manpower resources, both civilian and military, are contained in an 88-page report recently released by the Bureau of Labor Statistics. The topics for which current data are presented include population, labor force, women, non-whites, employment, employment trends in selected defense-related industries, occupations, education and training, labor mobility, and military manpower.

The report is designed to provide basic background information on the size and characteristics of the nation's work force, as an aid to the appraisal of manpower supply in relation to requirements.

Copies of the report, *Fact Book on Manpower*, Bulletin No. 1171, are available at 50 cents each from the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.

Work Measurement in the Office: A Case History

THOUGH work measurement in the office has been notoriously slow in taking hold, the fact remains that there are only two general types of work that fall outside the scope of measurement. Where the job is primarily creative, as in the case of a design draftsman, it is impractical to attempt measurement. On the other hand, when an employee is retained because his presence is needed at a given location regardless of work volume—for example, a receptionist—there is no purpose in measurement even though it is possible to apply it.

Most office work, however, is suitable for measurement and standardized control. The question is, by what methods can it best be accomplished?

Work measurement necessarily involves the development of time standards, since man-hours are the natural "yardstick" for evaluating the size of any task. However, it must be recognized at the outset that office work measurement differs in two important respects from factory time study. (1) The average clerical job is a varying mixture of a number of activities, which cannot be subjected to the kind of time study that is usually conducted on a repetitive production job. (2) White-collar workers are not accustomed to having their work timed by stop-watch, and they usually dislike the practice.

It was these factors that led us at the Owens-Illinois Glass Company to develop our book of standard unit time values for most common office activities. In the case of our research, it was decided to circumvent these problems by paralleling the industrial practice of setting "synthetic" time standards commonly used in machine shops. This approach calls for the careful and accurate predetermination of all the time requirements of a given machine tool under every possible operating condition. With these data available, it becomes unnecessary to stop-watch the machining of every new part of product that comes along, since the engineer can determine an accurate time standard right at his desk if he knows the operations and material involved.

It seemed reasonable to assume that dependable time standards could be determined in the same manner for any intricate combination of clerical functions, if a complete manual of basic time data were available. Accordingly, the figures for this handbook were developed through accurate and scientific time study.

This brings us to the application of the time data. Since it is necessary to make a clear and complete determination of the volume and nature of the operations performed in the work unit under study, it is necessary to prepare a flow chart. In our case, we used a refinement of the basic charting technique originated in 1921 by Frank B. and Lillian M. Gilbreth, because it is recognized throughout industry and because it could be adapted easily to the assignment of time values.

The next step, measurement of

the work-flow, involves three stages: (1) the determining of work volume by operation for a typical monthly period, (2) the assignment of the appropriate unit time value for each operation, and (3) the extension of volume statistics by the time values to develop the monthly man-hours required for each operation.

If possible, it is desirable to anticipate the work volume figures that will be needed and to start any necessary counting before the charting is completed. Statistics are usually obtainable for all major operations. However, the secondary operations often require some research to determine their frequency of occurrence.

With the appropriate work-volume entered beside each operation on the chart, the analyst is ready to assign the unit time values. This is done by selecting the appropriate time from the book in each case and entering it on the chart beside the corresponding volume figure. Of course, every survey will produce a few operations on which the analyst will not have a unit time value. Because of this, our own book has continued to grow as we have developed additional basic data.

The final step in the measurement of the work-flow is the multiplying of the work volume figures by their respective unit time values. The resulting monthly man-hour figure for each operation should be entered beside it on the chart.

The completed charts constitute a sequential picture of the work-flow in the department. Thus, they depict the passage of papers from position to position, and in all likelihood each clerk's duties will be scattered throughout the chart in accordance with the manner in which they fit into the over-all procedure. If the load on each position is to be analyzed, it is necessary to tabulate the operations on the chart by position. Therefore, the operations are numbered so that they can be identified in the tabulation, and the number and monthly man-hours of each one are tabulated as described. Determination of the workload is then merely a matter of adding up the man-hours for each position.

It is rare that any job will show a proper load. We have run into cases of overloads, but the reverse is far more common. The necessary reallocation of the work is the final responsibility of the analyst. This is done by indicating on the chart what duties can be assigned to different positions in order to bring about a reasonable load based on "a fair day's work."

Certain principles should be followed in this reallocation of duties. Obviously, functions should be assigned to assure a continuous and forward flow of material through positions, avoiding bottlenecks and backtracking. It is also important to avoid the mixing of skill grades in any single position.

With the reallocation of duties completed, the charts can be given to a typist, who can prepare a job description for each position by merely copying the duties and time statistics from the chart. In this way the supervisor acquires a convenient record of the duties entailed in each position, which he can use in employee selection and training.

As a matter of fact, these job descriptions are vastly superior to

those in common use in industry for job evaluation purposes—even though they are a mere by-product of our control program. It will be observed that they have been derived from a factual description of the work-flow, and not from answers to a questionnaire. In addition, not only are they qualitative in the sense that they state what is done, but they are quantitative in that they state the time spent in performing each task.

—From an address by T. M. Cox, Jr. before the Detroit Controllers' Group of the Controllers' Congress.

White-Collar Earnings Lag

THE WAGE-EARNING manual worker earns more today than the white-collar employee behind a desk, according to Robert K. Burns, Professor of Business and Social Science at the University of Chicago and executive officer of the University's Industrial Relations Center.

Writing in the University's *Journal of Business*, Burns has traced the income patterns for both groups since the 1890's, when average annual earnings of salaried employees were $860 a year, and wage earners were earning only $457. The income of a salaried employee stepped up rapidly during the 1920's while that of the wage earner fluctuated and increased less rapidly. By 1928, the average salaried employee was making $2,398 a year while the wage earner lagged behind with only $1,372.

Differences during the depression were even more marked. While salaried employees' income fell to an average $30 per week, wage earners were averaging as little as $18.

More recent data show, however, that the income of the wage earner has increased far more rapidly than that of the salaried employee. The biggest spurt came during the war years. By 1943, the wage earners had already passed the salaried employees, receiving an average weekly wage of $45 as compared with the $43 of the salaried employees.

Reconversion caused wage earners to lag behind in 1946 and '49, but since the outbreak of the Korean War, the average weekly income of the wage earner has reached $69.24, while that of the salaried employees has reached $66.63.

This gain by manual workers was made during a period when they were also obtaining the increased benefits which traditionally belonged only to salaried employees—such as paid vacations, insurance and health plans, and similar supplementary benefits.

ACCORDING TO the National Office Management Association, office workers' salaries have gone up an average of 50 per cent during the past seven years. The group making the smallest average gain (general typists) are doing 31 per cent better than in 1947, while private secretaries made the top average gain—64 per cent.

—Lawrence Stessin in *Forbes* 5/15/54

How To Integrate Your Materials Handling System

THE OBJECTIVES in setting up an integrated materials handling system are the same as for any plan of coordination: to unify the work of line and staff specialists and coordinate operations in all plants. This is a task that cannot be delegated to levels below top management. Middle-level management cannot by itself isolate and solve a company-wide materials handling problem; where several departments or plants are involved, each sees only fragments of the problem, and thus can present only piecemeal solutions to it.

All too often, one man is in charge of materials handling in one place, another man in another place, a third heads up packaging, a fourth, traffic, and so on. Each is necessarily well down the organizational ladder, so far removed from the chief executives that there is rarely any communication between them. This is by no means an unusual pattern of organization.

The best solution is for top management to coordinate these functions organizationally at the vice-presidential level. There are four reasons for creating a "Director of Physical Distribution" at the vice-presidential level, with full responsibility for materials handling, warehousing, layout, packing, traffic, and control of materials:

First, he can command for these functions the top-management attention they deserve. He is in a position to speak up when sales plans might otherwise be formulated without consideration of transportation and warehousing, or when purchasing policies cause unnecessary handling and storage. With a voice in policy, he can make sure his company does not save money in one direction only to lose it on distribution.

Second, these functions become the responsibility of an expert. They are no longer "stepchildren," dispersed under executives who may be competent but whose interests and experience are in other fields.

Third, coordinated organizationally, these functions are coordinated operationally. They are integrated under a man who can see when a small change in packing will make a major change in handling, or when a new program is needed to tie traffic and warehousing together to save money in both departments.

The need for control techniques—planning documents, organization charts, budgets, and progress reports—is not limited to policy-making executives. The controls will help each level of management make the best use of its resources. In materials handling, a well-planned control system raises productivity and improves service, even though no money is spent on new equipment or facilities.

Such techniques as production control are just as applicable to materials handling as to production itself. Consider, for example, a plant in which

shipments have to be closely timed in accordance with commitments to customers, carrier schedules, and other factors. Packing is the heart of the operation, but it is not controlled. There are no scheduling and no time standards. The foreman decides what orders to pack, the men decide how fast to work, and processing a routine order takes as much as 10 days. Consequently, the warehouse is plagued by "expedites" and emergencies.

A recommended control system begins with work measurement. Units of measure (orders, line items, pieces, or pounds) are established for each major activity such as receiving, packing, and shipping. Time standards (so many pieces to be packed per man-hour, so many pounds to be shipped per man-hour) also are established.

On the basis of the work-measurement system, the program proceeds in several directions. One is issuance of a daily report on actual and standard productivity to show where time is lost and where costs are excessive. Another is establishment of production control—with a length of time to pack each order, daily scheduling of orders to be packed, and the times at which each should be started and completed. This is a type of control familiar to production managers, but is generally unknown among materials handling and warehousing people.

The one indispensable tool for top-management control of materials handling is a monthly report from each plant and warehouse. Four types of data should be reported. First, the report should show total volume of space, how much of the total is used for storage, and how much is used for other activities. It should show how much of the warehousing volume is unusable because of obstructions like columns and elevators, how much is in aisles, and how much is allocated to receiving, packing, and shipping. Second, the number of major pieces of equipment should be reported, including the number out of service. Equipment operating costs also should be reported. Third, data should show the number of employees, their hourly rates, and the straight and overtime man-hours by job categories. Fourth, the quantities of materials received and shipped should be reported.

If materials handling is to be controlled, these classes of data are as essential as a sound organization structure. But these are not enough. The third prerequisite for control concerns methods and layout.

The only acceptable yardstick for measuring present performance is the best possible performance. The way to judge the efficiency of a method is to see if a better one can be developed. On the basis of time and motion studies, the improvements recommended and the standards set, it can be determined what the cost and efficiency of materials handling should be—not merely what it is.

—JOHN DRURY SHEEHAN. *Consulting Engineer*, November, 1954, p. 36:5

ACCORDING TO one packaging authority, 12 to 15 per cent of the manufacturing dollar is devoted to containers and the labor it takes to fill them. The opportunity to pare down this expense is called "one of the last frontiers of substantial cost reduction."

—*The Biddle Survey* (Biddle Purchasing Company, New York)

Controlling Office Turnover

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TURNOVER—the "comings and goings" of personnel into and out of our companies—is undoubtedly here to stay. As a concomitant of employment, turnover can never be eliminated. So long as there are employees, turnover will remain in the category of "unfinished business."

Moreover, most of us would agree, turnover is generally wasteful. True, some kinds of turnover may be beneficial to an organization, but these are numerically unimportant and are usually already well under control. Also, there are probably fewer kinds of "beneficial turnover" than the special pleaders for this type of employee mobility would have us believe. At any rate, the kind of turnover we are concerned with here is wasteful, for it contributes in a nonconstructive way to the cost of doing business. Turnover, fortunately, can be measured; its causes can be isolated and identified; and it can be reduced. Lately, frustration with the turnover problem has largely given way to study and action, for reasons closely related to the long-continued existence of the tight labor market for desirable clerical workers.

The sort of clerk or typist or stenographer who can be employed with *enthusiasm*, instead of with resignation, has to be found before she can be hired. Applicants who are capable of meeting reasonably demanding requirements must be ferreted out by specialists and lured to their new jobs by devices heavily trimmed with fringe benefits. And once these satisfactory people have been recruited, and are on the payroll, and have been orientated and trained and accepted, and are productive—in other words, are proving themselves to be good "*hires*"—most companies these days want to keep them on the payroll. And the way to get closer to accomplishing that is to control turnover.

PRELIMINARY STEPS

Before very much can be done about controlling turnover it is necessary to find out how much there is, what's causing it, and the trend it's taking. Getting the answers to these basic questions involves: (1) keeping appropriate records, (2) tabulating the information contained in those records and treating it statistically, (3) analyzing and interpreting the statistical data, and (4) doing each of these on a systematic and continuing basis so that constant comparisons may be made.

Most of the information available to a central personnel department on

From an address before the Office Executives Association of New York.

the causes of turnover comes to it from two sources: the separation notice and the exit interview.

The separation notice usually provides the sort of information that lends itself to tabulations, which in turn lend themselves to statistical treatment. The exit interview often reveals information that is useful as a check on the reliability of the reasons recorded in the separation notice—though that is not its primary purpose.

An example of a simple graphic and statistical approach to the analysis of separations is given in Table 1 for a hypothetical company—"Hypothetic, Inc." The formula given in Table 1 for computing the turnover rate is the one most commonly used. Note that the period embraced by the data is a full year and that separations attributed to marriage and pregnancy together account for the largest number of resignations, while unsatisfactory work and related reasons account for the largest number of involuntary separations, or discharges. The figures in Table I should on no account be used as the basis for any comparison with actual company figures; in order to simplify the chart and the statistics, and to make them applicable to a greater variety of companies, the data shown in this example have been modified considerably from those originally gathered by an actual company.

The kind of graphic and statistical information shown in Table 1, while it represents a good beginning and is obviously valuable, may not go far enough in most companies. It does provide a basis for comparison with other companies, and with previous years experience of the same company. If computed on a monthly or quarterly basis, as is customary, instead of annually as in the example, the information will have greater current significance. Also, the data in Table 1 enumerate the principal reasons, *as recorded in the separation notice*, why resignations and discharges are taking place. On the basis of this information alone, it is possible to attack a few of the causes of turnover and to make some progress toward controlling it.

As a matter of fact, it is clear from Table 1 that all that "Hypothetic, Inc." must do to reduce resignations appreciably is to consider henceforth only those applicants who will not get married, will not become pregnant, will not become dissatisfied with their salary or progress, will not leave the city, and will not want to quit for a rest or to stay at home. Likewise, the number of discharges could be reduced nearly to the vanishing point by hiring only applicants who will prove to be competent and punctual, and who will come to work every day and on time.

WHERE TURNOVER BEGINS

Of course, it's not really so simple as that! For one thing, a company's selection of an employee—like an employee's selection of an employer—represents a *compromise*. When each seems to fit the other's specifications about as well as can be expected under the circumstances, the hire takes place. The *modus operandi* is the same as that involved in deciding which house, or car, or suit to buy. However, it is in the process of making this compromise that the seeds of turnover are sown. And beyond these known compromises and obvious rationalizations there are all sorts of unpredictable and unlikely things that probably won't occur—

TURNOVER DURING 1953 — "HYPOTHETIC, INC."

REASONS FOR SEPARATIONS

TYPE	REASON	NO.	
RESIGNATIONS	Marriage and Pregnancy.	36	225
	Family circumstances or to remain at home.	30	
	Salary considerations.	26	
	Dislike of work, or preference for other work.	24	
	Ill health or need for rest.	22	
	Leaving city.	18	
	Return to school.	14	
	All other known reasons. (See Note 1.)	31	
	Reasons unknown.	24	
DISCHARGES	Unsatisfactory work; not develop. satisf.; unsuited for assigned work.	28	56
	Excessive absenteeism.	6	
	All other reasons. (See Note 2.)	22	
Other than R's & D's	Deceased and retired.	6	24
	Lack of work, reduction, reorganization.	18	
Entered military service.		28	
Temporary employees, (including Summer).		30	

Temporary employees: Not included in the computation of turnover.

AVERAGE NO. OF EMPLOYEES DURING 1953 1,000

TOTAL NO. OF SEPARATIONS 333
(Exclusive of temporary employees)

$$\text{TURNOVER RATE} = \frac{\text{TOTAL SEPARATIONS}}{\text{AVERAGE NO. EMPS.}} \times 100$$

$$= \frac{333}{1000} \times 100 = 33.3$$

Note 1: "Other reasons" for resignations: Recalled to former job, inconvenient location, leave of absence refused, go into business for self, disagreement with supervisor, disagreement with co-workers, dissatisfied with progress.

Note 2: "Other reasons" for discharges: Falsification of application, excessive tardiness, unsatisfactory attitude toward job, repeated failure to call-in when absent.

TABLE 1

but which, if they do happen, will add to turnover.

The type of approach illustrated in Table 1 can provide a helpful beginning. But much more is involved in uncovering the basic causes of turnover than this limited type of analysis can possibly provide.

TURNOVER BY DEPARTMENT DURING 1953 — "HYPOTHETIC, INC."

PERIOD (1953)	RATES			
	Dept. "A"	Dept. "B"	Dept. "C"	Overall
Jan-Feb-March	2.6	2.8	2.2	3.1
Apr-May-June	2.8	3.4	1.4	2.5
July-Aug-Sep	3.0	4.2	1.6	2.9
Oct-Nov-Dec	2.8	4.0	2.8	2.7

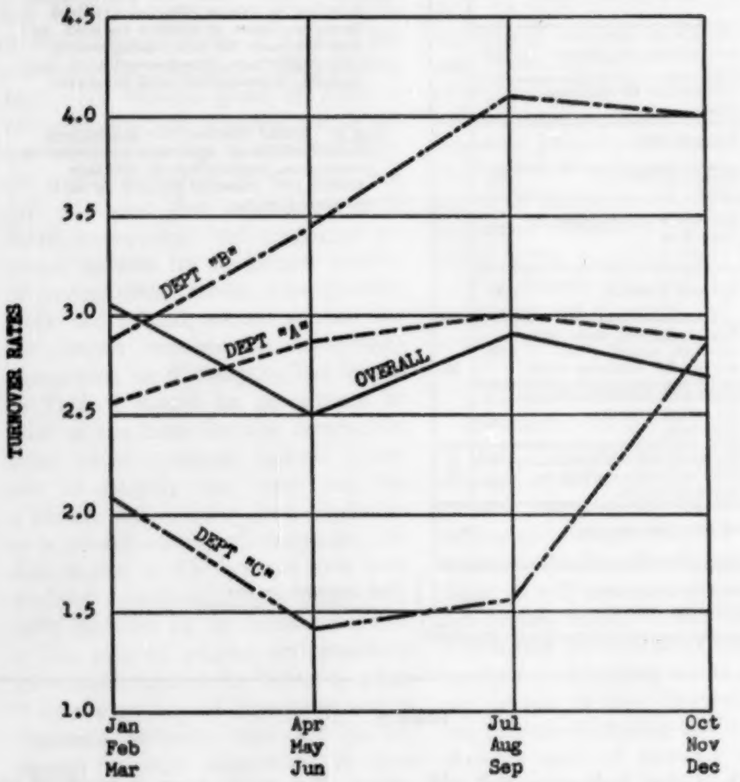

TABLE 2

The information in Table 1 fails to reveal *where* the turnover is occurring, in terms of organizational divisions, subdivisions, departments, or sections. Which department heads, office managers, or supervisors have the highest turnover? The lowest?

A simplified example of how turnover rates for a company as a whole and several of its subdivisions can be presented in tabular and graphic form for four calendar quarters is given in Table 2. Such an approach is often very useful in helping to pinpoint turnover trouble spots.

PREVAILING RATES OF TURNOVER

Most companies that analyze their office turnover periodically along the lines suggested in Tables 1 and 2 are content to use the information they obtain solely for *self-criticism*. They do not need to compare their companies' turnover data with those of other companies to be aware of the fact that there is room, as well as need, for improvement. Fortunately, it is not a prerequisite to effective remedial action in the area of office turnover to know where one's own company stands in comparison with companies that are in the same line of business or operating in the same type of labor market.

Despite the increasing availability of statistical reports on the *reasons* for resignations, discharges, and other separations of office employees, there appears to be a paucity of studies which report *rates* of clerical turnover. To offset the lack of published information in the latter area, here are some data compiled by two employer groups, which prefer not to be identified:

One study of turnover during 1953, among a group of employers whose non-exempt clerical employees aggregated 50,000, revealed median rates of 41 per cent for women and 14.3 per cent for men. Among the participating companies, rates for women workers ranged from 10.9 to 97.9; for men, from 0 to 145.5. About 50 per cent of the separations in these groups occurred during the first 12 months of employment.

Another study, covering approximately 6,500 non-factory employees of nine companies located in New York City, revealed a median turnover rate, for 1953, of 31.2 per cent, with a range of 20.0 to 41.0 per cent. This particular group of employees was composed principally of female clerical workers, but included a sufficient proportion of male clerical, professional, and sales employees to result in some tendency (perhaps considerable, judging from the results of the study reported above) toward producing lower turnover rates than would have emerged if the study had been confined to the female group.

In addition to these studies, the New York Personnel Management Association, conducting a less carefully controlled survey of 1952 turnover among the male and female clerical and administrative employees of 100 New York City companies of various sizes, came up with a distribution of turnover rates which, when further analyzed, reveal a median rate of 22.5 per cent.

Tables 1 and 2, and much of the sort of thinking they provoke, exemplify the statistical approach. This is basic and valuable, and its importance should never be underrated. However,

it can usually provide only part of the answer. The remainder must come from the critical and imaginative interpretation of information obtained through other sources, principally investigations designed to uncover some of the not-so-obvious causes of turnover that operate in every company.

EXIT AND FOLLOW-UP INTERVIEWS

One of the most useful devices for investigating those causes of turnover that are often barely suggested by the separation notice, and the analyses and interpretations based on that notice, is the exit interview conducted in the personnel department by the personnel manager or a professional interviewer. This type of exit interview should not be confused with the "final conversation" that usually takes place in the operating department when an employee quits or is discharged. "Final conversations" between the employee who is leaving and his boss are important, and often have far-reaching significance. For example, the way they are conducted can affect the validity of the information recorded on the separation notice and may influence (for better or for worse) employee relations, public relations, etc. But the personnel department's exit interview is a different sort of thing. Its purposes, in order of importance, are to reduce turnover, to improve efficiency, and to maintain good will toward the company.

During the exit interview the interviewer attempts to obtain information which—when properly evaluated and acted upon—will result in reducing turnover and increasing efficiency through improving selection, placement, orientation, and training; improving unsatisfactory or annoying working conditions or services; and improving supervisory practices.

In my opinion, the exit interview is one of the most potent devices in the personnel department's kit of tools for reducing turnover. Because the information gained through such an interview is so one-sided and likely to be so heavily biased in favor of the interviewee, it must be handled with considerable care. But, properly used, reports based on such interviews can provide knowledge and information essential for controlling turnover.

Another important tool for controlling turnover is the follow-up interview. Like the exit interview, the follow-up uncovers information that might otherwise be lost to the company. But—most important—this valuable device frequently provides information or sets the stage for corrective action in time to prevent the loss of a valuable employee.

The follow-up interview is conducted in the personnel department by experienced interviewers. Generally, it is scheduled after the new employee has been on the payroll six to eight weeks. There are, however, occasions when it may be conducted much sooner—as in cases where the new employee seems to be adjusting poorly to the job, has expressed dissatisfaction with it, or is showing signs of developing an unsatisfactory attendance record, or where significant falsifications of claimed experience or training have come to light.

Here are some very brief excerpts from actual follow-up interview reports to illustrate the sort of information bearing on potential turnover

that can be uncovered through the use of this technique:

> I asked my supervisor a couple of weeks ago, just in passing, how I was doing, and he just said I'm all right. I think it would be a good idea if my supervisor, or somebody down here in the Personnel Department, would let us know how we're doing. A fellow likes to know how he is getting along. . . .
>
> . . . Yesterday Mr. H—— and Mr. M—— called me into their office and asked me to rate myself on your rating form. They kept their answers covered until I told them what I thought the ratings should be. When I had finished, Mr. M—— told me that I had *underrated* myself. That sure made me feel good. . . .
>
> . . . Mr. E—— is a terrific boss and makes you feel right at home. The department people are very helpful. The supervisors are always willing to let us find an easier way of doing things. If a suggestion is refused, we're given a good reason. . . .
>
> . . . At first the girls weren't too friendly . . . Not that they were nasty or anything like that, but they just didn't bother with me too much. Now, though, they've warmed up and we get along very well . . . I feel like one of them. . . .

The steps that need to be taken to control turnover are virtually implicit in any list of the causes of turnover. Here, for example, are the results of surveys of several thousand employees of well-managed and successful businesses, as reported by Earl Brooks of Cornell University's School of Industrial and Labor Relations:

Twenty per cent of the employees had never been told how they were doing.

Twenty-two per cent received conflicting orders frequently or most of the time.

Thirty-six per cent believed that they did not get nearly as much instruction as they needed.

Twenty-eight per cent said their supervisor would dodge or stall or pass the buck or give a partial answer when they asked him a question.

Thirty-one per cent said they were never told the reason why policies or procedures affecting their work were changed.

Seven per cent said their supervisor discouraged their ideas and suggestions, and 22 per cent said the supervisor listened and then forgot.

Eighteen per cent said they felt that they were responsible to too many bosses.

Half the employees felt that the best qualified persons were not selected for promotion when better positions came along.

Although only 2 per cent of the employees preferred to work for another company, 12 per cent (six times as many) felt that their wives preferred that they take a job elsewhere.

Here are some of the specific reasons why separations take place:

1. *Poor selection.*

Selection starts with recruiting. Recruiting starts with sources. Applicants who do not apply cannot be interviewed or otherwise considered. The quality and quantity of the applicants we see will be influenced by such considerations as the reputation of the company, the agencies we use, our selection of advertising media, our advertising copy, the school placement offices we work with, our own employees' referrals, etc.

Having arranged for a suitable flow of applicants, we must next screen them in terms of their likelihood of all-around success with our company. Some of the screening elements that play important roles in most companies that have had to give this task any real attention are: (1) The preliminary application blank; (2) The comments of a trained receptionist; (3) The preliminary interview; (4) Testing—for aptitude, skills, personality,

etc.; (5) Reference checks and, if indicated, intensive personal investigation; (6) The final interview and referral of the screened applicant to the supervisor for consideration; and (7) The medical interview and, if indicated, a physical examination.

In connection with testing, it should be pointed out that the use of psychological testing devices by untrained persons can be counted on to do more harm than good. Determining which tests to use, if any, and interpreting the results in terms of the personnel needs of the company are jobs for persons trained in psychological testing and experienced in applying that knowledge to the special requirements of industry. An example of the common errors made by untrained and inexperienced users of psychological tests during the process of screening is the tendency to forget or ignore the fact that a company needs privates and corporals as well as generals. Most companies need to have promotable people on tap, but they need also to be kept amply supplied with people who will be content to perform routine or relatively routine jobs for the remainder of their working lives.

2. *Poor orientation.*

An employee doesn't become an enthusiastic, productive, and permanent part of a company simply by being introduced to his co-workers and put on the payroll. He doesn't necessarily become that even after he's been shown where the washroom and vending machines are, been given a copy of the employee handbook, and been told by a friendly supervisor that no one expects him to be particularly productive until he catches on to what it's all about. A planned orientation program for each employee is a must. It should include, at the very least, these essentials:

Furnishing the new employee with copies of the employee handbook, company magazine, benefits booklets, etc.

An orientation interview in the personnel department at which these documents and their contents are fully and enthusiastically explained and at which the new employee is told what he may expect from the company and what the company expects from him.

A tour that includes at least the general area in which the employee will be working.

An unhurried and uninterrupted orientation interview with his supervisor.

An introduction to his new co-workers and possibly to his supervisor's boss.

Designation of someone (if not the supervisor, then a co-worker) as the individual specifically responsible for seeing to it that the new employee's questions —asked and unasked—are answered.

Orientation should not be allowed to cease after a few days. A follow-up orientation interview should be held by the supervisor at intervals of a week or two until the process of healthy assimilation is fairly far advanced. Some of the most revealing statistics that can be kept on turnover are those that show how long an employee has been with the company before he quits.

3. *Unkept promises.*

The remedy here, of course, is to avoid overselling the job, the company, or the benefits. This sort of thing can plague a company's personnel relations relentlessly—and unnecessarily. We must watch our advertising, our interviewing, the supervisors' interviewing, and the content of our employee handbooks and magazines.

Of course, we want to sell the company, the job, the generous benefits, and the opportunities for advancement. But overselling any of these is like

setting time bombs in the path of future employee relations. If necessary, one of the simplest and best ways to guard against the tendency to oversell is to ask ourselves bluntly: "Whom are we trying to kid, and how long can we do it?"

4. *Poor supervision.*

Good supervision is one of the greatest lacks in present-day management. The need for more effective supervision is widely recognized, and important steps are being taken to correct existing shortcomings. Despite all this attention, poor supervision remains one of the greatest contributors to turnover (and, of course, to a lot of other office ills, too).

At present, management is giving considerable attention to the task of improving supervisory skills. But there are some very closely related and basic responsibilities of management that are being largely overlooked—to the detriment of the over-all result, for the kind of attention these responsibilities receive may well determine how well management succeeds in improving the effectiveness of the all-important line supervisor.

In this connection, the first need is for management to recognize and do more about the fact that a supervisor who is not *himself* sold on his company will never succeed in selling the company to his subordinates. The second is for management to get better acquainted with its supervisors and their jobs; to find out much more about the kind of people they are and the sort of job that should be expected of them.

These two needs are of course very closely interrelated, since a management that doesn't really know and understand its supervisors and what's expected of them is hardly in a position to convert them into enthusiastic salesmen of the company's policies and decisions. For example, management needs to hear about, and to accept (and then to *act* as though it accepts) such findings, verified by research, as this:

The supervisor or department head who is so completely company-oriented that he loses sight of the essential dignity of the employee is not so productive as the one who has the employee as an individual constantly in mind.

5. *An unsatisfactory salary structure.*

The problem may be unrealistic starting salaries, or a lack of periodic reviews and increases, or bonus arrangements that foster resentment, or inequitable differentials between similar or dissimilar jobs, or a combination of these. Dissatisfaction with salary, or some aspect of earnings, is one of the primary contributors to turnover —despite the fact that "salary" is usually not at the very top of the lists of what employees claim to be seeking from their jobs.

6. *More hours and fewer holidays than are prevalent in the particular labor market.*

Companies that are "out of line" in this respect must offer other inducements that are very strong, or they will lose employees at an accelerated rate and have difficulty recruiting superior replacements. It can be as simple as that.

7. *Lack of communication.*

This is intimately tied in with the employee's feeling of "belonging" and of personal esteem. It often happens that supervisors who deplore the lack of communication from and to higher

echelons are themselves frequently guilty of failing to keep these channels open to and from their own subordinates. It is so easy to be a hypocrite about communication that everyone responsible for keeping the avenues open has constantly to be on the alert. For, as someone put it recently, "It is possible to deplore the lack of channels of communication on the one hand and effectively *throttle* them on the other."

Communication with the employee's family can also help in reducing turnover. The company magazine should make a special effort to mention by name as many employees as possible, and it should contain articles that will help stimulate the interest and loyalty of employees' families.

8. *Deficiencies in training.*

Increased turnover is high on the list of ills that result from doing a poor job of training employees to perform the duties expected of them. Hit-or-miss methods of training may eventually produce satisfactory workers from the production standpoint. But such an approach often causes resignations among desirable employees and results in discharges of employees who would be capable of satisfactory performance under proper conditions of training.

9. *Substandard employee benefits.*

Like salaries, holidays, and the like, employee benefits must conform to certain minimum standards—or they will affect turnover.

10. *Unfriendliness, unfair treatment, arbitrary decisions, etc.*

Complaints of this sort can be real or fancied. But whether they exist *in fact* or only in the minds of those who resign makes little difference turnover-wise. Someone must get to the roots of the problem and solve it if the turnover picture is to be improved.

11. *Unsatisfactory working conditions.*

Sometimes it is difficult, or economically unfeasible, to remedy every physical condition that employees dislike. But where analyses of turnover point to this as a prime cause of difficulty, remedial action of some sort is a must if turnover is to be brought under control. Also, unsatisfactory working conditions that are unrelated to the physical plant must be identified, studied, and rooted out as part of the campaign to reduce turnover.

12. *A general lack of loyalty toward the company.*

As for this important contributor to turnover (and worse), it is important to keep in mind that loyalty must be earned; it cannot be bought. Picnics and lavish parties, seniority awards, bowling leagues, extra holidays, cafeterias operated at a loss—none of these, individually or collectively, can buy loyalty.

Employee benefits, good working conditions, good pay, and the like, can lay the foundations for the development of loyalty. But the degree of an individual's or a group's loyalty can never be ascertained by assigning a numerical weight to each benefit and then totaling them to arrive at a score or index. Loyalty is most likely to exist and be strengthened in a working environment characterized by fair play, considerateness, honesty in business dealings, acceptance of responsibility, etc.

A PERMANENT MANAGEMENT PROBLEM

What is likely to happen to management interest in turnover if the labor

market should ease up considerably and become once again virtually a buyer's market?

Even if recruiting should become easy, I think we are not likely to see a return to the days when turnover was all but ignored by everyone except authors of books on personnel administration, and a relatively small number of personnel-minded companies. The reason is this:

Out of the pressing need, during the past 10 years, to study the problem of turnover and to do something about it, has come a new realization that factors such as turnover are of great economic importance.

Formerly, the cost of uncontrolled turnover was apparently not sufficient in itself to demand the kind of top management attention it now receives. Today, however, the cost of labor has increased both absolutely and relatively to the point where, in most industries, it exerts a tremendously significant influence on the cost of the product. Top management is now aware of the fact that turnover can affect the profit picture by contributing greatly to the cost of doing business.

New Data on Living Costs

WHAT'S THE COST of a "commonly accepted" living standard for an American family of four persons, and how much has it gone up in the past few years? Based on September, 1953, prices in San Francisco, a wage earner's family would need an annual income of $5,405 to maintain such a standard if it's renting a home, and $5,762 if it's buying one. A junior professional or executive with three dependents, on the other hand, would have to have a salary of $8,073. These figures, computed by the Heller Committee for Research in Social Economics of the University of California, compare with an estimated $4,041 needed by a wage earner's family renting its home in September, 1949—the last previous budget published by the Committee.

The two wage-earner budgets are identical, except for the amounts allocated to taxes, housing, and household operation. Food costs, amounting to $1,620, are the biggest item. The budgets allow $212 for house furnishings, $461 for clothing, $527 for transportation, $378 for medical care, $215 for insurance, $95 for personal care, $203 for recreation, and $271 for a group of expenditures including tobacco, reading, education, union dues, gifts, contributions, and miscellaneous.

The $2,039 allowed for food is also the largest item in the budget of the junior professional or executive. The amount is greater than that allowed for the wage earner because it includes more meals away from home. Recreation expenditures for the salaried worker are $388.

—*Labor Policy and Practice* (Bureau of National Affairs, Inc.) 5/13/54

CONSUMERS in industrial countries pay out, as a group, an estimated 18 to 20 per cent of their income in taxes (including indirect taxes and customs duties) and put 7 to 10 per cent into savings, reports the Twentieth Century Fund.

Pension Funds: The Strongest Source of New Capital

ONE of the newest and fastest-growing sources of new capital in the U.S. economy is the vast program of private pension funds. There are now 20,000 separate corporate plans covering 11 million workers, or 17 per cent of the whole U. S. labor force. Their assets this year will reach $19 billion, and they are growing at the rate of $2 billion annually. By 1960, pension funds will have estimated assets of $35 billion and new contributions will be pouring in at the rate of $6 billion a year—30 per cent of all savings available for new investment. For business men, the big problem is: How should this huge retirement kitty be invested so that it will bring maximum benefits both to workers and the U.S. economy?

Of the 20,000 pension programs, some 13,000—mostly the smaller plans—are insured by life-insurance companies and still invest extensively in such traditionally conservative securities as government bonds. But the remaining 7,000 programs, which have 60 per cent of all the money, are handled privately either by company officials or bank trustees, and they are using their funds to serve both workers and industry. While in 1946 the funds invested up to 50 per cent of their money in government bonds, today the Treasury Department reports that the percentage has fallen to 20 per cent.

With the great postwar building boom, pension trustees are beginning to lend money on big office buildings, shopping centers, and housing developments. Other companies are turning to well-paying corporate bonds to provide an increasing flow of new money for industrial expansion. While few companies invest in their own stocks (some even have specific rules against it), Sears, Roebuck has put 60 per cent of its $600 million fund into its own shares, and much of the other 40 per cent into mortgages on its 696 U. S. stores.

But the biggest change of all is the flood of pension money going into the stock market. Up to 1950, few companies dared put more than 5 per cent of their funds in common or preferred stocks, for fear that capital losses might imperil benefit payments. Today, many firms have as much as 50 per cent of their pension fund in the market—most of it in common stocks. Dr. Robert E. Wilson, chairman of the Standard Oil Co. (Indiana), calls the pension funds "the strongest source of new capital going into the market." Where his company once had 60 per cent of its funds in government bonds, it now has only 20 per cent. On the switch from bonds to stock, it has sharply increased its workers' return, much of it in fat dividends from the oil industry itself. Other companies, too, are going in more heavily for common stocks. One large company with a

$100-million program has 32 per cent of its money invested in common stocks and another 13 per cent in preferred stocks.

Since few pension investors are interested in quick, speculative gains, the effect of this buying has been to bull up as well as stabilize the stock market. Most funds invest on the "dollar averaging" principle—i.e., assign a specific amount of money each year to buying a certain stock. If the stock rises, the fund can buy fewer shares; if the stock falls, it can buy more, thus tending to stabilize the market.

Critics of the new stock-buying program argue that dollar averaging has not really been tested, since the market has pushed consistently higher over the past four years. They also worry that in a depression, with more workers retiring early, funds will have to take big losses to raise the cash they need. On the other hand, some critics feel that fund purchases are actually too conservative; too much of the money is in the blue chips and too little in riskier but better-paying issues.

For their part, the pension investors defend the current program as neither too risky nor too conservative. Most portfolios are well spread out between government and industrial bonds and preferred and common stock. As for concentrating on blue chips exclusively, they point to a recent survey showing that in the entire portfolios of 130 companies, only 100 owned five stocks in common.

In the future the trend of pension investment will be increasingly towards the newer growth industries. The current popularity of leading blue-chip stocks has already pushed prices to the point where the stocks in the Dow-Jones industrial average pay only 4.9 per cent in dividends. As the blue chips grow too expensive, more and more pension money will go into new fields. Then business men will have to toe a fine line between their basic objective of protecting the workers' pensions and their responsibility to the U. S. economy as a whole.

—*Time*, November 22, 1954, p. 92:1.

Executive Health: A New Perspective Needed?

EXECUTIVES are no more prone to ulcers or coronary disease than others in the same age group, according to Dr. E. P. Luongo, Medical Director of the General Petroleum Corporation, Los Angeles, which has had for some time a very comprehensive system of regular physical examinations for all employees. Writing in the November issue of *Petroleum Refiner*, Dr. Luongo suggests that there is a growing tendency today to over-emphasize the health problem of executives.

Dr. Luongo also thinks there is a tendency to overestimate the number of employees of any rank who need psychiatric services. "Only a very small percentage," he says, "are candidates for formal psychologic evaluation, and an even smaller group for psychiatric evaluation." From 85 to 90 per cent, he believes, can find solutions to their emotional problems through supervisors, family, friends, clergymen, etc.

—*Industrial Relations News* (Industrial Relations Newsletter, Inc., 230 West 41 Street, New York 36, N. Y.) 11/27/54

How a Company Can Develop Union Responsibility

COLLECTIVE bargaining today is—or at least should be—not a one-shot annual affair but a dynamic, day-in-and-day-out relationship that goes on all through the contract year. When a foreman talks to a union steward about a particular problem, he speaks not for himself individually but collectively for his company. Similarly, the steward, in arguing a grievance, acts in a representative capacity on behalf of all employees in his department.

To a large extent, productivity is influenced by the employee's will to work or his attitude on the job. This, in turn, is affected by the relationship that exists between his union and the company. If the union is a responsible organization and its relations with management are on a mutually cooperative basis, there is a good prospect that the attitude of employees will also be cooperative. However, if for any reason the union is irresponsible, the company is anti-union, or the relations between the two are strained, it is quite likely that all too many employees will in one way or another reflect an adverse attitude at their daily workplace.

How can employers assist in building more responsibility and maturity among the union representatives with whom they deal?

First, it is essential today that the employer give full recognition to the union collective bargaining status, and that the union know that the employer fully accepts the union as the spokesman and voice of the employees on matters of wages, hours, and working conditions. A union that has to claw every inch of the way to recognition may quite understandably continue such tactics after winning bargaining rights.

Second, a company should avoid competing with a union for the loyalty of its employees. The ironic part about this is that employees often wonder what the furor is all about. To the employee, the company and the union mean different things. The company affords him a job whereby he can take care of his personal and family obligations. He looks to the union, on the other hand, for social, educational and economic reasons. And he feels that he can be loyal to both quite handily. All too frequently, it is the company or the union that makes loyalty an issue.

Third, we should separate the areas of conflict from the many non-conflicting interests between management and labor. In the field of contract negotiations, grievance procedure, and arbitration, the interests of the company and the union are frequently at cross purposes. But there is a much larger field in which there is little or no conflict of interests. For example, such matters as suggestion committees, safety programs, good housekeeping, social and sports activities, absentee-

ism, annual picnics, Christmas parties, and open-house affairs are basically non-conflicting areas. In this wide range of activities, the company and the union have a mutuality of interest. In these non-conflicting areas, management can afford to place less emphasis upon management prerogatives which have the effect of fencing the union out of legitimate areas of cooperation, thereby building resentment and irresponsibility among the union forces.

Much is to be gained by full cooperation with the union in these areas in which there is a mutuality of interests. If, all during the year, foremen and stewards have had a part to play in several programs, and if they have learned to know each other better, the climate surrounding the annual negotiations will be better.

Fourth, it is important that company personnel should set an example of calm and patience. If we recognize that it is human to err—and if despite our honest differences of opinion, we nevertheless have a firm resolve to look at each situation calmly and patiently—it is then quite likely that the union representatives will do likewise.

Fifth, management should work with—not around—the union in the field of employee communications. Trying to out-race and out-maneuver the union in getting a message across to employees is ill-advised. Common sense suggests working out with the union an agreement on channels of communication so that those items that can quite properly be disseminated by the union are so handled. Once they understand this arrangement, they like it and have no objection to the channeling of other general information by management communications.

Sixth, let us recognize that the union is a political organization and that—though at times we shall be a little unhappy about it—certain things will be done simply because it is politically expedient. However, management should not be more critical of "union politics" than of "government politics," "church politics," "country-club politics," or the "women's sewing club politics." We acquiesce in that kind of politics, but when it is carried over to the union side, we tend to think it is iniquitous. To the extent that we are unduly critical of union politics, we tend to encourage union irresponsibility.

Seventh, many companies are doing a great deal of constructive work in the training field, even to the point of holding joint training sessions for stewards and foremen. When management is ready for this and sure of its ground, it is probably an excellent program. In the early stages it is undoubtedly better to go slow, perhaps giving a course in contract-interpretation training to the foremen and then providing an identical but separate program for the stewards.

Eighth, a company should be firm when necessary. Most unions have far more respect for a company that has analyzed the facts, has all the pertinent information at hand, and will say when the time comes, "Based on all the facts, this, gentlemen, is the best we can do." Until management reaches the point where the union knows that it means just exactly what it says, the union cannot be blamed for trying to put on one more

bite and then another and another. In short, if management is vacillating and immature, we can logically expect rough treatment.

We in management can contribute by our actions to union responsibility. But, unless we work at it, we can inadvertently encourage discontent, radicalism, and irresponsibility in the union ranks. It takes both labor and management—pulling together—to accomplish maximum results.

—From an address by HERBERT O. EBY (Labor Relations Director, Pittsburgh Plate Glass Company) before the California Personnel Management Association.

A Union of Unions in '55?

UNIONS, TOO, apparently have been hit by the merger fever. In the past year there have been a dozen labor consolidations, mostly among the smaller fry of unionism. While the threat of a third federation of labor sparked by Dave Beck, Dave MacDonald and John L. Lewis has collapsed, a far more important development appears imminent: A year hence, the biggest merger of them all—the AFL and the CIO—is likely to be a *fait accompli*. All signs point to a union of unions in 1955.

The big stumbling-block to consolidation between the AFL and CIO has been the problem of jurisdiction. The appointment of David Cole, prominent arbitrator, to settle such disputes is popular with all factions.

Union presidents, like company presidents, are jealous of their status. They like the titles, the emoluments, the prestige that go with being on top. Few observers in the labor field gave a CIO-AFL merger much chance, because someone had to step down to make way for one big boss. Now it seems that Walter Reuther, President of the CIO, is willing to make the sacrifice and accept a lesser post in the consolidation. George Meany will probably be the chieftain of the combined unions, with Reuther a vice president.

What impact would a merger of the CIO and AFL have on the economy in general and on labor-management relations in particular?

In numbers alone the new setup would constitute an imposing force, —17 million union members, the highest in the nation's history. Politically, the new union would be in a position to exercise considerable pressures in Washington and in state capitals. Though the AFL and the CIO have been fairly in sympathy in their political loyalties, minor bickerings and separate fund-raising campaigns have taken a lot of steam out of their campaigning. Under a consolidated setup, the "voice of labor" would have a lustier pitch.

If the consolidation goes through, union membership is likely to increase at a geometric pace. For one thing, the finances for a sustained union drive would be available. Secondly—and

this is true of the South—the AFL, which would be the dominant part of the organization, is more acceptable to both worker and employer. The CIO has had trouble in its expansion attempts because of charges and taints of leftism.

Employers who have been harassed by jurisdictional disputes would benefit.

Geographical differences in wages would be substantially narrowed. This trend is already in the making, but, under a merger, big companies would find it more difficult to sign separate pacts with different unions for varying rate ranges in different areas.

It is also likely that labor will be more conservative in its demands on management if a merger is effected. The AFL has rarely gone in for grandiose demands like the guaranteed annual wage. It is more realistic about the employer's ability to pay.

Finally, there's a feeling among industrialists that when merger comes, strikes will be less frequent. There's an impression around that the CIO is more strike-happy than its counterpart. The figures don't bear this out. AFL unions are no less apt to hit the bricks than the CIO. It's just that the CIO with its industry-wide contracts gets more strike publicity.

—LAWRENCE STESSIN. *Forbes*, November 15, 1954, p. 28:1.

New Facts on Age and Occupation

HALF OF ALL employed males in the United States are at least 40 years of age, Metropolitan Life statisticians report. Men at ages 40 and over are in the majority among the skilled craftsmen, such as carpenters, brickmasons, machinists, painters and paper hangers, plumbers, stationary engineers, and tool- and die-makers. Relatively large numbers of young men are found among farm workers, automobile service station and parking attendants, and linemen and servicemen employed in electric power, telephone and telegraph industries. In all, the male labor force numbers some 40.5 million workers.

Among the 15,700,000 employed women the median age was 36.4 years. The median age for the large occupational group of stenographers, typists, and secretaries was only 25.8 years.

"Women enter and leave the labor force at an earlier age than men," the statisticians observe. "In 1950, almost one-fourth of the employed females were under age 25, compared with 15 per cent of the men. On the other hand, only one-eighth of the women workers were aged 55 and over, while among men the proportion at these ages was about one-fifth."

—Insurance Advocate 10/9/54

WHY DO SOME recreation programs fail? There are many reasons, states the National Industrial Recreation Association. Among them: building an elaborate facility where it is not needed; trying to force recreation programs on employees; building activity centers without participation or sanction of employees. To be successful, a recreation program should be company-generated, but directed by employees.

—American Business

For the Specialist . . .

Making the Package Sell Itself

ONE of the most difficult yet most rewarding tasks in packaging is designing the package to fit in, by reason of physical construction and design, with the type of display it is most likely to have at point of sale.

The appeal of the package after it has been picked up by the shopper for close examination is one thing—and still too frequently the only thing considered by those who make the decisions on package design. Its ability to attract the shopper in the first place and to identify the product under any and all display conditions is another and perhaps more fundamental point —for the package that individually may be a design prize winner, supported by millions of dollars worth of advertising, is useless if it can't keep its head up in the maelstrom of today's self-service selling.

While the problems of package display are at their worst in the food supermarket, they exist to some degree in every other type of outlet where self service or self selection are practiced—and that, today, includes drug, hardware, novelty and department stores. From packagers' and store operators' experiences it is possible to draw a checklist of basic requirements of good package display:

1. Provide multiple identity surfaces. It is generally agreed that this is the one sure answer to the problem of differing display angles. The rectangular package that identifies itself on one main panel, one side and one end is reasonably certain that the shopper searching for that brand will find it, stacked face out, side out, or end out.

2. Make the most of size, but don't overdo it. If you make the display face big and broad at the expense of a narrow base, the package won't stand securely the way you intended and the retailer is very apt to lay it flat, giving you just the opposite of the display effectiveness that you sought. It is better to stick to a standard size and make maximum use of the obvious display faces through proper design.

3. Provide safe and easy stacking. The carton that is too tall for its base, and therefore top-heavy, is bad enough, but the real bane of the storekeeper's existence is the little glass jar that can't be stacked more than two high without sliding and toppling at a touch. There are still thousands of uncartoned, odd-shaped packages which can be stacked safely only by putting corrugated board between layers. Such packages are sold in spite of and not because of their package design.

4. Show the multiple in multiple packages. The whole impulse-purchase appeal of the multiple-unit package, which has proved so effective in recent years, may be lost if the shopper

fails to see at a glance exactly how many units are being offered her at the bargain price.

5. Give utmost legibility to brand name. Millions spent on advertising are of no avail if the supermarket shopper cannot quickly pick out of a mass of packages the brand name in which advertising has interested her.

You're not dealing with 20-20 vision, either. According to the Better Vision Institute, two out of three Americans today wear or need glasses, and research has shown that a large percentage of women who do have glasses do not wear them when they shop.

6. Avoid monotonous, straight-line shelf patterns. The classic illustration of this point is the famed Lux soap flakes carton, bearing the oldest and best known name in its field. From the beginning, Lever Bros. played their three-letter brand name in the boldest possible type. But a couple of years ago they became aware that the very boldness of the lettering, when used in a straight line across the face of the package, was tending to impair its legibility in mass display. The solution was impressively simple: They simply tilted the word on the package at about a 10° angle so that the continuous line was broken and each "LUX" stood out unmistakably.

7. Watch out for unorthodox and unexpected dealer habits in display. The best package design will do little good if dealers find, for example, that the package stacks better upside down. That was the problem faced by Lily-Tulip Cup Corp., which eventually had to reverse the label so it would read right side up when the cups are upside down.

8. Use simple, graphic illustration to explain the function of non-food products. Full-color photographic illustration is ideal for appetite appeal on food products, but it is usually not so effective as a simple line drawing on household and hardware items that have only utilitarian appeal.

9. Avoid the loss of package identity in carry cartons. In most cases it is essential to picture clearly on the carton the package within.

10. Anticipate physical problems of mass display. Beverages in bottles and cone-top cans, for example, cannot individually be stacked one on the other for the type of pyramided mass floor display so effective in supermarkets. Carriers designed to stack offer one solution. Another possibility is opened up by the current trend toward tear-strip shipping cases.

11. Use special display fixtures where acceptable. The manufacturer of products going into the newer non-food sections of supermarkets may have the rare opportunity to pre-determine just how his package will be displayed. If it is the type of package, such as cellophane-wrapped soft goods, that obviously needs something more than a shelf to display it, the retailer may accept a simple wire rack, with compartments sized and arranged to hold just the products of that particular brand.

Generally speaking, however, special fixtures, along with all kinds of special point-of-sales signs, are only a nightmare to the supermarket operator. Constant supervision by a manufacturer's representative is required to

keep them in order. They should be used with the greatest care.

This collection of some widely typical problems in store display of packages is by no means complete nor universally applicable. Nothing, actually, will take the place of a continuing first-hand study of each package and its acceptance and performance in its own typical retail channels.

—*Modern Packaging*, Vol. 27, No. 11, p. 87:9.

Packaging for Export

TO ASSURE safe, damage-free arrival, products bound for overseas must be chemically treated, paper-wrapped, packaged, and crated. Increasingly, this job is being handled nowadays by contract packers, who specialize in preparing everything from light bulbs to locomotives for the overseas voyage.

In an average month, a typical contract packer may process and ship such items as plate glass, waterproof building paper, furniture, electric motors and generators, office equipment, diesel engines, stoves, refrigerators, nails, fluorescent lamp bulbs, automotive axles, canned goods, automobiles, household goods, and military vehicles.

These products must be protected against four common hazards: (1) humidity and the corrosive effects of salt air and water; (2) breakage, including possible distortion from dropping, shock and rough handling; (3) scratches; and (4) pilferage.

The first step in the preparation of products for shipment involves cleaning and protection against moisture, humidity, dust, dirt, corrosion, and shock. Spray protectives, waterproof bags, dehydration processes, and a wide variety of preservative oils may be used, depending upon the item in question and where it is to be shipped. Next comes wrapping and packaging. Boxes and crates may be manufactured as required. Large, finely finished articles must be packed separately and blocked or braced to ride free of all contact with the container walls.

—*American Exporter Industrial* 8/54

Why Institutional Advertising?

WHAT ARE the main objectives of your institutional or over-all company advertising in business papers? The question is answered by 721 industrial advertising managers, representatives of all industry, in this manner:

To establish, maintain or increase prestige—39 per cent; "to keep our name before buyers"—28 per cent; "to publicize our facilities and services"—11 per cent; to aid salesmen and distributors—7 per cent; to create public interest—6 per cent; "to emphasize our experience and skill"—6 per cent; to establish prestige and quality line, to pull out of price competition—5 per cent; to establish position in industry—4 per cent; to address distributors—4 per cent; to educate customers and technical men about company advantages—3 per cent.

—*Sales Management* 10/15/54

For the Specialist . . .

Insurance, Self-Insurance, or Non-Insurance?

To protect the assets of a business against the consequences of a serious insurable loss by assigning the risk through the purchase of insurance is the soundest procedure for most business enterprises under ordinary circumstances. There are, however, conditions under which a business can assume all or part of an insurable risk and, by doing so, reduce its cost and in some cases obtain other less important advantages.

Unfortunately, there is no scientific or mathematical formula which can be used in determining whether a particular risk should be insured wholly or partially self-insured. Before making any decision, however, the following information is needed:

1. *Maximum potential single loss probability at any one location.* Maximum probability of damage to your company's property (inventory, buildings, fixtures, cash, etc.) can be readily obtained from appraisals and the book records of the company's assets. If your company has not incurred any severe losses caused by the particular risk under consideration, obtain information from your insurance broker or agent regarding some of the most severe losses incurred by other companies exposed to risks that are similar to yours.

2. *Actual losses and premium cost of purchased insurance for at least the past five years.* Experience for that period will produce a reasonably sound picture of the trend of your losses and their relation to premium cost.

3. *Spread of the risk*—that is, the number of physically separated units exposed to the same risk, and the maximum loss exposure at each separated unit.

4. *Degree to which the risk can be controlled through the operation of an effective loss prevention program.* If it is possible to reduce losses through the operation of a loss prevention program, top management must agree to support actively such a program.

5. *Does the risk require inspection services?* If so, can your company provide such an inspection service? If not, what would the cost be to purchase or develop your own competent inspection service, particularly in fields requiring high technical skills?

6. *Could your company handle adjustment of losses satisfactorily and economically?* For example, if losses can occur with some frequency at locations far distant from those at which you have branches staffed with personnel competent to adjust them, what would the cost of adjusting such losses be?

7. *What is your company's policy or preference in the matter of adjusting claims directly*—whether with employees, with customers, or with other members of the public? Would it

prefer to handle such matters through an insurance company?

8. *Are there any laws which would prohibit your company from assuming the risk?* For example, in some states the Workmen's Compensation risk must be insured in a monopolistic state fund; in most states miscellaneous bonds must be purchased.

When it is finally determined that a risk should be partially or entirely assumed, the next step is to decide whether it should be self-insured or non-insured. Among the governing considerations are these: (1) If the maximum possible loss will not seriously distort the profit performance of the operating unit, the risk can be non-insured and each loss absorbed as an expense by the unit in which it occurs and at the time it occurs. (2) If the assumed losses will be too large to be charged directly to the operating unit at which they occur without seriously distorting the profit performance of that unit, they should be self-insured and charged to the self-insurance reserve.

The assumption of an insurable risk is sound only if the cash position of the company, the spread of risk, and the other factors mentioned above justify it. One of the first steps is for top-level management to decide how serious a loss the company could assume without financial embarrassment. The assumption of even part of the most important controllable risks—such as fire, workmen's compensation, and public liability—merely for the possible saving of a portion of the difference between the purchased insurance premium cost and actual self-insured losses is seldom if ever justified.

—C. Z. Greenley. *Management Methods*, September, 1954.

The Cost of Carelessness

The American People lose the staggering sum of over $9.7 billion annually through accidents, it was reported recently by J. Dewey Dorsett, general manager of the Association of Casualty and Surety Companies. In an address before the Maine State Safety Conference, Mr. Dorsett said that the $9.7 billion lost through accidents last year could have paid for the cost of equipping the entire U. S. Strategic Air Command, including aircraft and bases. In addition to this staggering economic loss, he said, 95,000 persons were killed and 9.6 million seriously injured from accidents.

In addition to reductions in purchasing power through persons killed or injured in accidents, the cost to industry was increased by the trained personnel put out of action, higher insurance rates, repair or replacement of equipment, damaged goods and delayed delivery schedules. These accidents affect business, Mr. Dorsett emphasized, wherever they occur. More than twice as many workers, for example, are killed away from the job than are stricken while at work; the same ratio applies to workers who are seriously injured.

—Journal of Commerce 9/17/54

Age and Recruitment Policies: A Survey

THE INFLUENCE of insurance and pension costs on the employability of older workers has seldom been exposed to statistical measurement. Yet it is in connection with retirement benefits that the age of the employee assumes the greatest significance.

Under typical actuarial assumptions a life insurance company would insist on having $1,559 on hand at age 65 for each $10 unit of monthly life income to be paid to a male employee, with payments guaranteed for 10 years. Obviously, a larger amount must be set aside each year for the older employee if the same lump sum is to be accumulated by retirement age. Each dollar of retirement benefit will cost more for the late entrant, since the contributions will earn interest for a shorter period of time. Another factor that would tend to make the older worker more costly from a pension standpoint is turnover, unless some form of vesting has been provided. A survey recently completed by the Temple University Bureau of Economic and Business Research, in cooperation with the Pennsylvania Department of Labor and Industry, was designed to evaluate the effect of age on the attitudes, policies, and practices of Pennsylvania employers, with insurance and pension plans constituting only one area of inquiry. The survey, which was conducted by personal interview, covered a total of 359 firms, selected according to accepted sampling techniques to give due consideration to size, geographic location, and type of operation. Two queries were specifically directed at the problem of insurance and pension costs. The first was:

> In the case of those companies which do restrict hiring of older workers in any of the job categories, what reasons does the company have for following these practices or policies?

Replies indicate that discrimination against the older worker because of pension and workmen's compensation costs is virtually nonexistent among smaller firms, where the relationship between employer and employee is on a more personal basis, and discrimination because of insurance costs exists only to a moderate degree. Rather substantial discrimination on the grounds of pension costs appears to be indicated among the larger firms in the public utility, trade, and finance fields. Only 6.1 per cent of the manufacturing firms interviewed stated that they discriminate against the older worker because of pension costs. No manufacturing firms with fewer than 1,000 employees profess to discriminate because of pensions.

From an over-all standpoint, only 6.4 per cent of the firms surveyed have an admitted policy of discrimination because of pensions. As in manufacturing, the larger firms tend to discriminate, with 10.3 per cent of the covered employees being on the payroll of companies which admit discrimination.

The pension plans maintained by the companies that admit discrimina-

tion are equally divided between a benefit formula that provides a flat benefit at retirement and a formula that varies the benefit with years of service. On an over-all basis, only 2.5 per cent of the firms are influenced by group insurance costs. Discrimination because of workmen's compensation exists only in the mining industry, which largly self-insures, but even there the discrimination is slight.

The second question in the questionnaire was phrased as follows:

> Does the company find that any of the following problems tend to limit the feasibility of hiring older workers in this company?

There followed a list of possible reasons, which included pension costs, insurance costs, workmen's compensation costs, hospital and medical care plans, accident rate, absenteeism and sickness, rate of production, quality of production, and training time. This question was designed to isolate a broader area of discrimination, based on a conviction that the feasibility of hiring older workers is limited by certain cogent factors rather than flowing out of a fixed or stated policy of discrimination.

As might be expected, a considerably higher degree of discrimination is reflected in the replies to this question. In manufacturing, for example, 18.2 per cent of the firms feel that pension costs limit the feasibility of hiring older workers. More important, these firms account for 45 per cent of the employees in the manufacturing category. In total, 16.6 per cent of the firms, employing roughly one-third of all employees represented in the sample, indicated that pension costs are a deterrent. Similar results were reflected with respect to other possible deterrents, with the slightest discrimination showing up in connection with hospital and medical costs.

By the very nature of the problem, no one can say with assurance how accurately the responses to the Temple questionnaire reflect the influence of pension and insurance costs on the employment practices of Pennsylvania firms or business firms in general. Assuming that the responses to the second question quoted above indicate the maximum area of discrimination, however, it could be broadly concluded that no more than 20 per cent of business firms, representing a third of the labor force, practice discrimination against the older worker because of pension and insurance costs, with a distinct possibility that the area of discrimination is even smaller.

—From an address by DAN M. MCGILL before the Second Joint Conference on the Problem of Making a Living While Growing Old.

The Insignia of Rank: Who Gets How Much of What?

MANY A desk-bound executive recalls the gloomy day when he asked for a second guest chair and was told: "Assistant Manager? Sorry, you only get one."

At the same time, who can forget the day his name went up in the lobby directory, or the morning he got the 60-inch desk and the water carafe?

These things, and many more, are the privileges—and the restrictions—of rank. Corporation executives expect a great variety of privileges, ranging from large, air-conditioned offices and telephones equipped with a splendor of lights to private dining rooms and the use of a company car. And generally speaking, they get plenty of these privileges.

But who decides who gets what? If one vice president hangs a few abstract oil paintings on his walls and bills the company, what's to keep the other seven V.P.'s from doing the same? If the comptroller wheedles figured drapes out of purchasing, does this entitle the advertising manager to do the same?

In an effort to discover how corporations find their way through the privilege thicket, *Business Week* recently asked company officials in various cities: "How do you decide who gets what, and why?" For the most part companies talked of two types of privilege system.

First, there is the uncodified, traditional pattern, where privileges go with each rank, and "always have." It's understood that the president gets the first crack at the Cadillac in the company garage, that division managers usually get the Buicks. The roomiest, most comfortable offices belong to the brass, and are passed on to succeeding generations of brass. The higher you rank, the better chance you have of getting a velvet country club membership, a free car, or a low-interest loan to finance a down payment on a new home. This uncodified system revolves about a single rule: Executives of equal rank get the same privileges, and each stratum can go as far as it can get away with—just as long as it doesn't outshine the next highest group.

The second system, a completely codified set of rules, is the more recent development. If an assistant department manager wishes to know if he's getting a fair shake, he need only turn to page six of the bulletin issued by the building standards committee. There he finds that he's entitled to 100 square feet of office space on the fifth floor, a 60-inch walnut desk, a swivel chair costing no more than $100 wholesale, two plain guest chairs, choice of two wall paints, a coat rack, a two-drawer file, a desk set (under $50), linoleum flooring, a single telephone extension, and one window. In other company documents he finds he may have calling cards, but not personal stationery, and may eat in the

executive dining room instead of the cafeteria (but not in the private dining room).

His boss, he learns, fares somewhat better. The boss has a larger office, on the same floor, but occupying an outside corner. The desk is larger, the chair plushier. There's a rug under the desk, but not wall-to-wall. He's given a choice of four wall paints, and he may hang pictures (up to four) worth $100 (he may blow the $100 on one picture, if he likes). He has two phones, a water carafe, a work table, two windows, a better desk set, and a wardrobe. He eats in the executive dining room, but is occasionally invited to eat in the private dining room.

This executive can't go the limit, though. He doesn't get an air conditioner, private stationery, an office on the brass-inlaid sixth floor, a davenport, a club membership, drapes, mahogany furniture, paneled walls, or a chance to turn in an un-itemized expense account. But his bosses, the vice presidents, get all of these things in this instance.

Under any rules system, the president usually writes his own ticket. If he leans toward austerity, the effect will be to downgrade everyone, for no executive will try to outdo the top man, no matter what the local Magna Carta provides. It may smack slightly of regimentation (and even more of giving presents to all children on one child's birthday), but codification of rank privileges solves more problems than it creates. That seems to be the judgment of those who have gone through it.

Companies that have codified point to three reasons for doing so: (1) It reduces friction between people and departments; (2) it's the most efficient way to allocate available space; (3) it's the best way to effect budget controls.

Few companies explained why they think privilege stratification, *per se*, is necessary at all. Certainly executives seek prestige to a greater or lesser degree, just as they seek money, power, and happiness. In fact, the element of prestige has become a larger section of the carrot a corporation man chases. The reason is plain. The income tax structure has forced companies to install all sorts of compensation other than salary. In the competition for good management men, every device is needed.

Do the smaller fry complain about all these extra privileges? The survey shows they rarely do. Most small fry hope—and expect—to become larger fry one day. They want the privileges to be there when they arrive.

—*Business Week*, October 16, 1954, p. 66:5.

OFFICE REST PERIODS: A survey completed a short time ago by the Office Management Association of Chicago shows that of 170 companies participating, 128 offices have policies providing for regular rest periods. Of the remaining 42 companies, 23 permit their employees to take rest periods; only 19 do not grant them. Most rest periods start one hour after the working day begins, and/or after the luncheon period. Two thirds of the companies allow 15-minute periods twice a day. A majority —54 per cent—provide coffee from a cafeteria or lunchroom.

—*Personnel Administration Newsletter* (The Dartnell Corporation, Chicago) 7/54

Lost-Time Illnesses—Young Workers Top the List

YOUNG PERSONS lose more time from work because of illness than do older men and women, according to a recent survey among employees of E. I. du Pont de Nemours & Co.

In the 24-29 age bracket, 55 per cent of all employees had a time-losing illness last year. Among those in the 36-40 bracket, only 33 per cent had lost time, while in the 55-60 bracket it was 49 per cent. In all groups, most missed less than a week.

A typical family of four spends about $300 a year on medical bills, including insurance, DuPont finds. This sum is bolstered by the health services and protection which the company provides each employee. Medicine and drugs cost an average of $76 for employees who kept records of what they spent.

According to the survey, 54 per cent of the employees missed no time last year because of illness, while 27 per cent missed less than a week. Only two per cent missed as much as four weeks. Even at age 40 and over, 56 per cent had no time-losing illness.

—*National Safety News* 11/54

"My advice to you, Hawkins, is to take the pins out of the map and stick them into the salesmen."

Developing an 'All-Star' Sales Team: A Case History

Like many other young companies in new industries, Kaiser Aluminum & Chemical Sales, Inc., faced the problem of building from scratch a sales force that would both do a good job of selling today and be ready to meet tomorrow's problems of expansion. They met this challenge by designing an integrated program of recruiting, orientation, training, and supervisory development. The resulting program now moves men into sales-producing action with a minimum of lost time and motion.

The company starts at the college graduate level. First step is a rough screening at the colleges of likely candidates for the training group. Based on their knowledge of the type of man most likely to succeed, the interviewers fill out a summary checklist to act as a guide for decisions about further interviews.

Checklists are reviewed by the personnel manager and his staff at the company's Chicago headquarters. On the basis of requisitions, they then select a number of candidates for multiple interviewing. Each of four executives then interviews each candidate individually. This team, now with several years of experience behind it, evaluates each applicant in detail; ratings are then compared. Based on these comparisons, a group of eligibles is selected and invited to become members of the next training group.

The general orientation phase of the program includes sessions devoted to the history of the industry and the company, discussions by product and department managers describing what they do and why they do it, and visits to local customers and distributors. The high point of these activities comes with a talk by General Sales Manager John E. Menz on "What We Expect of You, and What You May Expect of Us." This verbal blueprint of the new salesman's future is an excellent help in getting the new man started on the right footing, with personal attention at a high level.

The second phase of the training program sends the trainee out to learn all he can about district office operations in six weeks. The first three weeks are spent learning internal administration; the second, on the road with an experienced service engineer. Realizing that the investment in each man is high and that general instructions might be overlooked under operating conditions, the personnel department has prepared, as a guide, a "Managers' District Training Booklet for Sales Trainees."

The third phase of training is a 6-week stretch of technical and production cramming at Kaiser's Trentwood works in Spokane, Washington. This is followed by two weeks in a Newark, Ohio, mill watching how another group of products is manufactured.

Then the group returns to Chicago for a series of sales clinics.

The sales clinics are designed to review fundamental principles of selling, brush up and enlarge the selling techniques of the individual, and provide practice under guidance for developing individual abilities. Examples are drawn from experience and based on materials and applications of which the trainees now have personal knowledge. There is no formal faculty; the entire headquarters staff shares the task of giving each trainee as much as he can absorb of their personal experience in the field. Verbal presentations, films, and role-playing interviews are included at clinic sessions.

The final phase of training calls for a few more plant visits to observe again, at first-hand, how Kaiser products are made and used. While all this has been going on, trainees have been submitting reports, and plant and headquarters personnel have been making notes about each man. Reports, notes, and comments are scanned at headquarters and compared with current job requirements and the suggestions of interviewers with an eye toward making the best field assignments.

Once on the job the Kaiser trainee soon finds that training is still with him. Each district manager conducts a monthly training meeting for all of his salesmen in addition to whatever special training activity he may find it necessary to schedule for his trainees. The personnel manager and sales training supervisor take a very special interest in the quality and effectiveness of these district meetings, and there—together with other sales executives at headquarters—plan, produce, coordinate, and distribute a number of training aids and supplementary materials aimed at helping each district manager get the best return for time and effort spent on training activities.

Every six months the personnel department at headquarters requests and receives a "sales personnel inventory" report evaluating the performance of each man on his job assignment. The inventory provides a useful and informative guide to the strengths and weaknesses of each individual. It also serves as one of the factors for determining reassignments and promotions.

—*Training and Equipping Salesmen* (The Dartnell Corporation, Chicago).

New Markets: Accent on Age

THE OVER-65 MARKET is getting a lot of attention these days. After all the accent that advertising has been giving to youth, this is refreshing. The young offer an inviting market—particularly young marrieds when they are making homes and rearing children. But too many marketing plans have been geared to a social situation that no longer exists in this country. They date back to before the days of pensions and old age security programs, when most oldsters were assured only the minimum of living standards.

The over-65 market isn't yet a bonanza market. But it has its opportunities. A recent study in *Printers' Ink* showed that there are now nearly 14 million people in the United States over 65. Not all of them

are retired by any means. Many of them are still working—some full time, some part time. Most surprising is the fact that their net worth is higher than that of any other group in the population except the 55-64 group.

More than three out of 10 own a car. About one in a 100 owns two cars.

Lots of products have no appeal to this market. But many basic products have a big market here, and a surprising number of the minor luxuries are being bought by the over-65 group.

The over-65 market is going to increase in size with the years. As yet, few advertisers have bothered to look into its potentialities. The smart ones who do look—and find economical ways to reach it—will get a big pay-off.

—C. B. LARRABEE in *Printers' Ink* 7/23/54

Workers Take Over a P.R. Job

WHEN UNION EMPLOYEES of the Stag Brewery in Belleville, Ill., initiated and carried through a community recognition program "to make our jobs more secure by winning more friends and customers for our company," they uncovered a big new source of volunteer help for plant tours—their wives.

Nine Stag employees, representing all the unions serving the brewery, formed a committee and volunteered to sponsor a program of promotional activities. Company officials took them up on the idea, supplied plenty of staff to work on projects, but left direction of the enterprise in the hands of the employees.

A brochure was prepared, listing company facts about which employees could brag, in accord with the slogan they chose, "Let's Brag About Belleville and Stag," and summarizing the company history.

The problem of finding guides and hostesses in sufficient number came up when it appeared that at least 4,000 persons were expected to visit the brewery during parties and tours for employees, tavern owners, package store operators, and some 500 local Stag stockholders. Hundreds of wives and other employee family members volunteered for the task. Eventually nearly 10,000 toured the plant when tours were extended six days for the general public, with evening tours added to handle the increase.

Success of the program as a community project was demonstrated when a committee of Belleville retailers asked company and employees to make the campaign a city-wide, two-week affair. They did and this, too, was a success.

Street banners and store-front display materials were provided by the brewery, without cost.

Other firms adopted the brewery's idea of putting a portion of the payroll in silver dollars, to dramatize industry's economic contribution.

Employees found plenty of special uses for the approximately 100,000 silver dollars put out during the two weeks. Merchants arranged special sales where discounts were available if the buyer had at least one silver dollar; others had $1 specials obtainable only with the coins.

—*Dun's Review and Modern Industry* 10/54

Also Recommended...

• Brief Summaries of Other Timely Articles •

GENERAL

THE TERRITORY AND SKILL OF THE ADMINISTRATOR. By F. J. Roethlisberger. *Michigan Business Review* (School of Business Administration, University of Michigan, Ann Arbor), November, 1954. Gratis. One of the deans of the human-relations field discusses some of the problems of self-development that the administrator faces in his attempts to work effectively with other people and to develop sound and productive work relationships with his subordinates.

CORPORATE GIVING—SENSITIVE TOOL OF PR. By W. J. Held. *Public Relations Journal* (2 West 46 Street, New York 36, N. Y.), November, 1954. 75 cents. A case history of Standard Oil Company of California's program for handling corporate donations on a business-like and equitable basis—with a constant view to the delicate public-relations problems that sometimes arise in the handling of various types of appeals—particularly local drives.

IT CAN PUT MANAGEMENT'S STORY OVER FAST—AT A PRICE. *Business Week* (330 West 42 Street, New York 36, N. Y.). October 9, 1954. 25 cents. Today 88 permanent closed-circuit television stations, located in almost every part of the country, are available to any organization with an important story that must be put across with maximum impact to a widely scattered audience. Though the cost of these facilities may go as high as $10 a viewer for a single show, an increasing number of companies are making use of closed-circuit TV to bring their message to potential customers, dealers, salesmen or other company personnel. Some noteworthy recent examples are cited in this article.

IS DISPERSAL GOOD DEFENSE? By Gershon Cooper and Roland N. McKean. *Fortune* (9 Rockefeller Plaza, New York 20, N. Y.), November, 1954. $1.25. Experts and government officials have claimed that a national policy of dispersal would not only help us win a war by minimizing the amount of damage that would occur in the event of an enemy attack, but also help to achieve such social objectives as a higher standard of living, better health, less traffic congestion, and less crime. Though neither rejecting nor supporting dispersal, the authors raise several sharp questions about the feasibility of these objectives and suggest several alternatives to dispersal in danger of being neglected today.

INDUSTRIAL RELATIONS

FAIR CHANCE FOR ALL AMERICANS. By Frank M. Folsom, M. J. Spiegel, Ivan L. Willis, and C. V. Martin. (The National Conference of Christians and Jews, 381 Fourth Avenue, New York 16, N. Y.). Gratis. Four business leaders describe here their companies' experiences in providing equal employment opportunities for members of minority groups. Without exception, these policies have proved highly successful, and all four agree that they are humane, practical, and economically sound. An interesting feature in one firm practicing integration for the first time is the employment of Negroes in skilled jobs rather than in the traditional non-skilled areas.

GAINING ACCEPTANCE OF MODERN METHODS. By Irving N. Weschler. *Systems and Procedures Quarterly* (500 Fifth Avenue, New York 36, N. Y.), Vol. 5, No. 3. $1.00. A summary of some of the more important approaches, developed over the past decade by the social sciences, to overcoming workers' natural resistance to change—particularly methods changes.

JOB ENLARGEMENT BOOSTS PRODUCTION. By John Kord Lagemann. *Nation's Business* (1615 H Street, N.W., Washington 6, D. C.), December, 1954. 60 cents. Highly engineered production techniques are beginning to reveal some serious drawbacks, this article finds. Citing several research studies exploring the effect of job monotony on production, the author shows how job enlargement—restoring to the job some of the basic satisfactions that have been engineered out of it—can raise production. Credit for work done, rather than pay, is uppermost in workers' minds, according to one of these studies.

SOCIAL INTEGRATION, ATTITUDES, AND UNION ACTIVITY. By Lois R. Dean. *Industrial and Labor Relations Review* (New York State School of Industrial and Labor Relations, Cornell University, Ithaca, New York), October, 1954. $1.25. Inducing members to participate in union activities is one of the most difficult tasks confronting local union officers—particularly where overt union-management conflict is not present. Drawing on case studies of three union locals with contrasting kinds of relationships with management, the author discusses some of the factors that determine workers' attitudes about attending union meetings, holding office, and otherwise participating in local union affairs.

PERSONNEL DEPARTMENTS IN RESEARCH LABORATORIES. By George G. Wehrstedt. *Personnel Administration* (Prince and Lemon Streets, Lancaster, Penna.), September, 1954. 40 cents. This report studies the organization and composition of the personnel department, general recruiting practices, and job classification plans in 28 large research and development laboratories. An interesting finding is that the effort required for the personnel function decreases as the proportion of professional employees in a laboratory increases.

OFFICE MANAGEMENT

"OFFICE OF THE YEAR" ISSUE. *Office Management*, (212 Fifth Avenue, New York 10, N. Y.), November, 1954. 35 cents. A report on the layouts, equipment and design of the six offices awarded top honors in 1954 by *Office Management* as outstanding examples of efficiency, comfort and attractiveness. Generously illustrated.

NOISE CONTROL CAN IMPROVE OFFICES. By L. F. Van Houten. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), November, 1954. 35 cents. Any office executive who is interested in selling top management on the wisdom of investing in sound-conditioning equipment will find here a persuasive array of facts on the costs and inefficiencies that arise in a noisy workplace. The value of a noise abatement program is illustrated by the experience of Aetna Insurance Company whose recent noise-reduction campaign is estimated to have increased general efficiency by 9.2 per cent, decreased typing errors 29 per cent, and decreased machine operators' errors by 52 per cent.

THERE'S A THIEF IN THE OFFICE! By Philip E. Parsons. *Office Executive* (132 West Chelten Avenue, Philadelphia 44, Penna.), October, 1954. 50 cents. Employees are out-stealing professional crooks by five to one, and authorities say that every firm of any size has at least one person chipping away at its assets. Moreover, only about 10 per cent of such losses are covered by insurance. The author, an insurance executive who has made a specialty of crime-loss prevention work, presents case examples of typical office thefts and describes some of the measures that might have been used to prevent them.

ALCOA INAUGURATES INREGAR INTEGRATED DATA PROCESSING ON A NATIONAL SCALE. By Ralph W. Fairbanks. *Office Management*, (212 Fifth Avenue, New York 10, N. Y.), December, 1954. 35 cents. A detailed description of the integrated data processing system for handling sales orders which has enabled ALCOA to realize a 40 per cent savings on the time and work devoted to this major office operation.

PRODUCTION MANAGEMENT

FITTING THE MACHINE TO THE MAN. By Francis Bello. *Fortune* (9 Rockefeller Plaza, New York 20, N. Y.), November, 1954. $1.25. Only during the past few years, says the author, has industry really begun to face up to the fact that people are imperfect operators of machines. This article describes and illustrates how this problem is being solved in a number of instances by "human engineering," a systematic new approach to design that can make almost any machine, from a camera to a jet bomber, more amenable to human control.

MANUFACTURERS' MEMO TO THE SERVO BUYER. *Automatic Control* (430 Park Avenue, New York 22, N. Y.), November, 1954. (Gratis to managers concerned with the application of automatic control equipment.) To find out specifically what types of information suppliers of servomechanisms need in order to provide manufacturers with a genuinely satisfactory system, the editors of *Automatic Control* put the question to some of the top engineers in the field. Their replies, which are summarized here, indicate that an engineer must obtain considerable data on load requirements, performance, input, frequency response, and machine environment before he can design an efficient servo for use in a specific application.

WHAT HAVE THE PLANT ENGINEER AND THE SAFETY ENGINEER IN COMMON? By A. B. Pettit. *Safety Maintenance and Production* (75 Fulton Street, New York 38, N. Y.), October, 1954. 50 cents. The plant engineer is responsible for providing a plant that has been designed and constructed for safety as well as efficiency, and for maintaining it in that condition, the author declares. If the plant engineer is to do his job properly, however, he must consult and cooperate with the safety engineer and other specialists within the company. This article offers a number of brief case histories showing what happened in various companies when this cooperation did not exist.

THE DEVELOPMENT AND USE OF AUTOMATION BY FORD MOTOR COMPANY. *Computers and Automation* (36 West 11 Street, New York, N. Y.), September, 1954. $4.50 per year. Automation, applied to some extent in every Ford manufacturing plant, is used by this company not only to handle parts but to overcome limitations in tools and other production processess as well. This article shows how and to what degree automation has been applied to such functions as conveying, assembly, loading and unloading, inspection, and preventive maintenance.

MARKETING AND SALES MANAGEMENT

BUSINESS CENSUS WILL HELP YOU PLAN. By R. Buford Brandis. *Nation's Business* (1615 H Street, N.W., Washington 6, D. C.), December, 1954. 60 cents. Economic censuses are the greatest single source of business planning facts, the author declares. This article shows the Census of Manufactures, the Census of Mineral Industries, and the Census of Business are being used by companies to identify growing industrial and consumer markets, to lay out sales territories and make up sales quotas, to locate new factories and offices, and to assist in many other planning functions.

THE CRUCIAL CUSTOMERS FOR CAPITAL GOODS. *Fortune* (9 Rockefeller Plaza, New York 20, N. Y.), November, 1954. $1.25. This article examines and projects the capital outlays of the "production" industries—the manufacturing segment of the economy plus the faster-growing electric-utility and oil and gas industries. The long-term growth prospects for these industries, constituting the more volatile half of the capital goods market, appear remarkably good, the editors conclude: All told, it will probably spend $23 billion for capital equipment by 1959, as against $19.3 billion last year.

ADVERTISERS' ANNUAL: 1955 NUMBER. *Printers' Ink* (205 East 42 Street, New York 17, N. Y.), October 29, 1954, Section Two. 516 pages. $2.50. This yearly compendium of basic statistics of interest to advertisers is comprised almost entirely of new material in the present edition (only 16 per cent is basic reference material picked up from last year's *Annual*, with minor changes to bring information up to date). In addition to the statistical data, the *Annual* contains a number of important research features.

TOO MANY ITEMS IN YOUR LINE? WE CUT OURS FROM 207 TO 38. By A. A. Togesen. *Sales Management* (386 Fourth Avenue, New York 16, N. Y.), October 15, 1954. 50 cents. Shows how one company, after discovering that ninety-five per cent of its customers' needs could be met by 38 items, weeded out its low-volume products and reduced the number of its distributors from 500 to 260. This pruning operation resulted in a healthier manufacturer - distributor - customer relationship, streamlined this company's selling efforts, and reduced its manufacturing and sales costs.

CHANGING PATTERNS OF INCOME DISTRIBUTION. By George Garvy. *The Analysts Journal* (270 Park Avenue, New York 17, N. Y.), November, 1954. $1.50. The most important change in the pattern of income over the last 20 years is the increased number of families in the middle-income brackets. The author analyzes this and other income trends, exploring their relationship to employment, taxes, population shifts, and other factors. In the foreseeable future, the aggregate supply of personal saving and its ratio to disposable income is likely to increase, he concludes.

WORKING WOMEN. *Advertising Agency* (48 West 38 Street, New York 18, N. Y.), October 4, 1954. 50 cents. Of all women employed full-time, approximately half—more than 10 million—are "night-time housewives." This represents a prosperous market with special needs and preferences—and a somewhat elusive one, since it cannot be reached by daytime radio and TV programs, and is exposed to evening programs only to a limited extent. Far and away the best single media for cultivating this market is through newspaper advertising, the editors conclude.

FINANCIAL MANAGEMENT

THE ANNUAL REPORT: THE CONTROLLER AS CHIEF ARCHITECT. By Jules A. Schwertz. *The Controller* (1 East 42 Street, New York 17, N. Y.), November, 1954. 60 cents. No other publication is as effective or as economical as the annual report as a basic document of the public relations program, the author declares. He outlines the controller's functions in amassing the raw materials of the report, defining its objectives, and seeing it through to publication. Several charts and illustrations for management use in determining to what extent and among whom the report shall be distributed are shown.

FEDERAL DEBT MANAGEMENT. Committee for Economic Development (444 Madison Avenue, New York 22, N. Y.). A 24-page digest of *Managing the Federal Debt*, a statement issued last September by the Research and Policy Committee of the Committee for Economic Development. Single copies of both available gratis. This booklet outlines the nature, composition, and recent history of the national debt; examines the influence of Federal debt management on the economy; and suggests certain broad policies calculated to promote future economic stability. A central recommendation: a moderate shift in the direction of a longer debt, to be accomplished chiefly by a reduction in the volume of the debt due within one or two years, balanced mainly by an increase in the intermediate debt (of 5 or 10 years maturity), and by a smaller increase in the longer-term debt.

GEARING PENSIONS TO CURRENT ECONOMIC TRENDS. By Meyer M. Goldstein. Pension Planning Company, 260 Madison Avenue, New York 16, N. Y. November, 1954. Gratis. Of the 25,000-odd pension plans existing today, the author points out, approximately 96 per cent were established during the past 13 years and have yet to meet the test of a period of economic adjustment. This booklet explores some areas of pension planning likely to be subjected to

strain during any such period; among them are the effect of the benefit level on the retirement of superannuated employees, negotiations with unions, and choice of funding method.

SECURITY ANALYSTS SELECT BEST ANNUAL REPORTS. By Weston Smith. *Financial World* (86 Trinity Place, New York 6, N. Y.), October 27, 1954. 40 cents. The new objective of the *Financial World* competitions, in which hundreds of annual reports are examined and prizewinners selected, is a well-rounded report serving not only the nominal requirements of the stockholder and employee but the statistical needs of the security analyst as well. Trend charts, for example, are not regarded by analysts, brokers, and other professionals as suitable substitutes for the actual figures in a tabulation. The author advises those preparing annual reports to consult a security analyst, who will be able to provide a much-needed professional viewpoint.

"NEW WAY" PENSIONS. By Claiborne H. Johnson. *The Controller* (1 East 42 Street, New York 17, N. Y.), July, 1954. 50 cents. Discussing some of the pros and cons of investing a portion of pension funds in common stocks as a means of hedging against future changes in the cost of living, the author observes that higher income obtainable from sound common stocks is often sufficient to increase materially the amount of the pensions without increasing costs.

INSURANCE MANAGEMENT

CONTROLLING INSURANCE COVERAGES AND COSTS. By William E. Sharpe. *Retail Control* (National Retail Dry Goods Association, 100 West 31 Street, New York), October, 1954. 75 cents. A comprehensive review of the five major classes of insurance coverages which are related to the special risks entailed in retailing operations. In addition to describing the general scope of the coverages, the author makes a number of suggestions for controlling costs, both in the judicious buying of insurance and in the prevention of losses.

WHAT PRICE DECIBELS? By Harry A. Nelson. *Public Health Reports* (U. S. Department of Health, Education, and Welfare. Available from Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.) $4.25 per year. Speaking from his experience as director of workmen's compensation on Wisconsin's industrial commission, the author examines the requirements of an equitable system for compensating workers for partial or total loss of hearing arising from occupational exposure to noise. One of the chief problems in many state systems—and one which his own state has not yet succeeded in solving—is that of tying compensation more closely to actual wage loss rather than to other, often arbitrary considerations.

THE ACCIDENT SYNDROME: A CLINICAL APPROACH. By Morris S. Schulzinger, M. D. *National Safety News* (425 North Michigan Avenue, Chicago, Ill.), October, 1954. 50 cents. Drawing upon his experience in handling some 27,000 industrial accident cases, the author presents some highly interesting facts and figures about the conditions which appear to foster accidents, and how such factors as age, temperament, time of year, time of day, type of work activity, etc., appear to be related to accident frequency and even to the anatomical distribution of injuries.

SAFEGUARDS AGAINST EMPLOYEE DISHONESTY IN BUSINESS. The Surety Association of America (60 John Street, New York 38, N. Y.). Single copies gratis. This booklet, prepared jointly with the American Institute of Accountants, is designed to provide management with a basic guide to sound internal control against employee embezzlement and to outline the types of protection offered by fidelity insurance. Recommended control measures relate to the handling of cash receipts, accounts receivable, cash disbursements, purchases, petty cash, payroll, inventories, and securities. Among the types of fidelity protection discussed in the concluding section of the booklet are individual fidelity bonds, schedule bonds, and blanket fidelity coverage.

Survey of Books for Executives

HUMAN RELATIONS IN SMALL INDUSTRY. By John Perry. McGraw-Hill Book Co., New York, 1954. 313 Pages. $5.50.

Reviewed by James Menzies Black*

Most books on business are as heavy as a politician's joke. So when you run across an author who writes on an industrial relations subject in a way that's readable, it's a real pleasure. And when, in addition to a literate and pleasant way of putting words together, he has something worthwhile to say, you've made a find.

John Perry's book, *Human Relations in Small Industry,* scores high in both style and content. Mr. Perry is an able, intelligent writer who knows his field and can discuss it in easy-to-understand, easy-to-read prose. The result is a practical, down-to-earth volume that will be of tremendous help to all personnel directors, particularly those who—perhaps with the aid of a secretary—are responsible for the entire industrial relations function in a small plant.

Mr. Perry's book is about human relations. But that covers a multitude of sins—and the word "sins" is used advisedly, for mistakes of omission and commission are the fundamental reason why personnel programs, even well conceived ones, break down. In the book, *Human Relations for Small Industry,* you will find many of these mistakes pinpointed—along with helpful recommendations on how to correct them if you've already made them, and how to avoid them completely if you haven't.

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As the author says, poor human relations can disrupt an organization, substitute confusion for teamwork, turn creative energy into resentment and frustration. "Essentially," he points out, "good human relations is what marks the difference between a successful and an unsuccessful organization—for individuals can become an organization only through relationships."

The chapter on "The Company Group," a penetrating study of group dynamics and mass motivation, merits careful attention. For it explains clearly and succinctly the attitudes of people both as individuals and as group members. What is a strong group? A weak one? What makes a group strong? These are some of the searching questions that Mr. Perry poses. And he gives some pretty good answers. He says, for example, where a company group is strong—where all members of the group, management and union, want to belong—there is a powerful incentive for sub-groups to work out their differences constructively. They may argue bitterly, but the strong company group alters the nature and outcome of their arguments. The reason: Members of such a group are keenly aware of common goals, and of the possibility of achieving those goals through mutual participation. There is also a feeling of achievement in reaching objectives through group action.

What Mr. Perry has to say about communications is, perhaps, his most valuable contribution to management thinking. Replying in a survey once conducted by the present writer to discover what media small companies used to transmit management news to

workers, the superintendent of one little plant simply wrote across the face of the questionnaire, "Speak in a loud voice." In his case that was probably all that was needed, for his entire operation was in a single room and the total workforce consisted of about 20 people. But he had unwittingly described a condition that exists in many smaller companies, particularly non-union shops. Frequently they are prone to speak in a very loud voice, and do only a trifling amount of listening. As a result, they sometimes wake up to find that their employees have brought a union in to speak back in an equally loud voice to make sure that they are heard. Unfortunately, when this occurs the companies concerned are seldom able to trace the ballad to the source, and to realize that their problems were caused by a breakdown in communications.

Mr. Perry has grasped this basic point firmly. "Human relations," he says, "is a process. Its name is communications." And then he proceeds to explain the operation of a sound communications system, describing exactly how to implement it through letters to employees, financial reports, company publications, meetings—even direct, face-to-face conversations between supervisor and worker. All in all, he does an excellent and constructive job on how to make your communications effective—and how not to. He has filled the book with specific examples of how things should be done, taken directly from actual experiences.

The blurb on the dust jacket of *Human Relations for Small Industry* asserts that the methods it describes are based on sound scientific and psychiatric principles. This is true enough. If the book has a weakness, however, it is—in this reviewer's opinion—that the author puts somewhat too much emphasis on the psychological aspects of his subject. However, this is a minor point.

One other item should be listed on the debit side of Mr. Perry's book. Though what he has to say on day-to-day union-management relations is basically sound, he doesn't appear altogether comfortable when he takes his seat, in a literary sense, at the actual bargaining table. In one place, for example, he describes the president of the union and observes that in actual negotiations he is at a disadvantage. Elected to office by his fellow employees, his union activities are a sideline. Management negotiators receive considerably more money than the $70 a week he earns, and they can put in full time preparing for contract talks. The company representatives are better educated, and have access to more information. Moreover, the union president must take orders from the lowest-ranking supervisor in the company. He's handicapped. And these facts may explain the psychological reasons for his unreasonableness.

All this may be true. But Mr. Perry must be talking about an independent union. For the man who carries the ball in collective bargaining for labor in most plants, large or small, is the business agent of the national or international organization. He works full time at this, negotiates day in and day out, and is usually a pretty hep character. Incidentally, the salaries of some business agents, especially those representing AFL affiliates, would make many a small-plant personnel director's mouth water.

However, this reviewer's comments on the psychological predilections of Mr. Perry and his observations on collective bargaining are in no way meant to detract from the excellence of *Human Relations in Small Industry.* Altogether, it's an exceptionally sound and valuable book.

INDUSTRIAL PENSIONS. By Charles L. Dearing. The Brookings Institution, Washington, D. C., 1954. 310 pages. $3.75.

*Reviewed by C. Henry Austin**

This book is a scholarly and well-documented treatment, from the socio-economist's viewpoint, of our modern industrial pension system. It is based primarily on statistics compiled during a study begun in 1950 by The Brookings Institution. The author writes with the scientist's meticulous respect for the accurate reporting of what has happened, the economist's hopeful expectation of what will happen if current trends continue, and the sociologist's deep conviction of what should ultimately eventuate for the common good.

Many of us who are concerned with the setting up, funding, and administration of pension plans have long recognized that the broad underlying problem concerns the social and economic effects of transferring goods and services from working to non-working segments of our population. In dealing with this problem, Mr. Dearing describes different funding methods and compares the economic effects of pay-as-you-go and advance funding. On balance, he favors the latter method, provided the aggregate money savings can be used to increase the efficiency with which the desired goods and services are produced.

The author makes a good case for the view that advance-funded pension plan savings, along with all other savings, can be used productively by our economy. This is accomplished by projecting and analyzing certain statistics on population, savings, and group pension plans, etc. Unfortunately, the results of the analysis are no better than the assumptions on which they are based. For example, Mr. Dearing uses Bureau of the Census estimates in predicting a population of 171 million in 1960. Economist Frank G. Dickinson, in a speech delivered in December, 1939, before the American Association of University Teachers of Insurance, stated that our population was growing too slowly to be maintained. Incidentally, much of Mr. Dickinson's speech dealt with the same subject as this book, and an interesting comparison can be drawn between them. Only time will tell the accuracy of Mr. Dearing's analysis.

Considerable space is devoted to the history of public and industrial pension plans, with emphasis on the motives and forces that worked to shape them. For instance, the author charges that the CIO hopes to achieve its pension goals through social insurance by integrating its chosen formulas with OASI benefits in order to influence employers to agree to greater OASI benefits.

The author is at his best in his appraisal of industrial pension plans and the allocation of responsibility for the financing of these plans. Here he uses the coldest sort of fallacy-exposing logic to present indirectly the broad outlines of what he regards to be an ideal pension plan, particularly of the union-negotiated variety. Briefly, it is an advance-funded plan providing only current service benefits related to current pay. The pension agreement would provide that only a portion of wages would be used to pay for old-age security. Eligibility requirements, participation, money rights, survivors' benefits, and choice of custodians for the funds would be determined by the workers (not the union). The worker's right to his accrued pension would not be contingent upon maintenance of union membership or continuance in the service of the employer. Any capital or interest gains by the fund would redound to the employee's benefit. The tax law would be amended to exclude employee pension deposits from income.

This book is a valuable contribution to the field of group pension economics. The sociologist, the economist, and the modern insurance manager will find it informative and useful.

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MARKETING RESEARCH AND MANAGEMENT. By A. G. Irvine. Macdonald & Evans Ltd., London, 1954. Available through Edward W. Sweetman, 1 Broadway, New York 4, N. Y. 288 pages. $7.50.

*Reviewed by Richard D. Crisp**

This book consists essentially of a summarization for British readers of some material which has been available in its original form for a considerable period of time.

The book is divided into four parts. Part I illustrates the problem of timeliness. The author devotes 24 pages to summarizing and interpreting two studies of American marketing research practices, the more recent of which was published here in 1945-1946. Part II presents under the heading of "Marketing Research Procedure" the usual discussion of the steps followed in a complex study in the field. This discussion seems to this reviewer to lean heavily on Lyndon O. Brown's text in the field, but again the problem of currency is apparent. The bibliography cites the original edition of Brown's text, which was published in 1937, rather than the substantially enlarged revised edition of 1949.

Part III discusses three marketing research techniques. One is the questionnaire approach. A second is the "retail-stock-count method of research," more familiar to American readers as the store-audit technique. A third is the consumer-panel technique. Part IV discusses the relationship of marketing research and management. In the latter section the author wanders off into definitions of management functions which seem somewhat out of place in a book intended to cover the restricted field to which the first three parts are confined.

American readers are likely to find *Marketing Research and Management* too elementary to be of much help. The very substantial time lapse between the publication of the original material on which the author relies and the present date, in a fast-moving field like marketing research, has also contributed to a substantial obsolescence, which made this book dated even on its day of publication. Altogether, there is little in it to interest the American reader.

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Publications Received

[Please order directly from publishers]

INTRODUCTION TO INDUSTRIAL MANAGEMENT: *Text, Cases, and Problems.* By Franklin E. Folts. McGraw-Hill Book Company, New York, 1954. Fourth Edition. 684 pages. $6.50.

FIRE INSURANCE INSPECTION AND UNDERWRITING. By W. O. Lincoln, J. T. W. Babcock, and G. W. Tisdale. *The Spectator*, 100 East 42 Street, New York 17, N. Y. 1953. Seventh Edition. 1,338 pages. $12.50.

THE BUSINESS FOUNDING DATE DIRECTORY. By Etna M. Kelley. Morgan & Morgan, High Point Road, Scarsdale, N. Y. 1954. 228 pages. $10.00.

BIBLIOGRAPHY ON RESEARCH ADMINISTRATION. *Annotated.* By George P. Bush. The University Press of Washington, D. C., Washington 4, D. C. 1954. 146 pages. $4.00.

LABOR'S STAKE IN CAPITALISM. By Nathan W. Shefferman. Distributed by The Constitution and Free Enterprise Foundation, 210 East 43 Street, New York 17, N. Y. 1954. 154 pages. $1.00.

BASING POINT PRICING AND REGIONAL DEVELOPMENT: *A Case Study of the Iron and Steel Industry.* By George W. Stocking. The University of North Carolina Press, Chapel Hill, N. C. 1954. 274 pages. $6.50.

EFFECTIVE LETTERS IN BUSINESS. By Robert L. Shurter. McGraw-Hill Book Company, Inc., New York, 1954. Second Edition. 250 pages. $3.95.

BUSINESS FLUCTUATIONS AND FORECASTING. By Carl A. Dauten. South-Western Publishing Company, Cincinnati 2, Ohio. 1954. 518 pages. $5.75.

THE AMERICAN LAWYER: *A Summary of the Survey of the Legal Profession.* By Albert P. Blaustein and Charles O. Porter with Charles T. Duncan. University of Chicago Press, Chicago, 1954. 360 pages. $5.00.

COST ACCOUNTING: *Text, Problems, and Cases.* By Clarence B. Nickerson. McGraw-Hill Book Company, Inc., New York, 1954. 462 pages. $7.00.

THE NEW LOOK AT RENEGOTIATION. By Philip Nichols, Jr. Published by *Renegotiation & Termination Letter*, 1420 New York Avenue, N.W., Washington 5, D. C. 1954. 32 pages. $12.50.

MOTION AND TIME STUDY. By Leo C. Pigage and John L. Tucker. Copies available from Editorial Office, Institute of Labor and Industrial Relations, University of Illinois, 704 South Sixth Street, Champaign, Ill. 1954. 48 pages. 25 cents.

THE RATING OF PERFORMANCE WITH THE HELP OF FILMS. By Paul F. Fornallaz. Bureau of Business Research and Service, 404 Sterling Hall, University of Wisconsin, Madison 6, Wis. 1954. 40 pages. $1.15.

IMPROVING SUPERVISORY BEHAVIOR. By Eugene E. Jennings. Bureau of Business Research and Service, 404 Sterling Hall, University of Wisconsin, Madison 6, Wis. 1954. 40 pages. $1.15.

WHAT YOUR SALESMEN SHOULD KNOW ABOUT CREDIT AND COLLECTIONS: *Suggested Outline for Preparing a Credit and Collection Manual for Salesmen.* New York Credit & Financial Management Association, 71 West 23 Street, New York 10, N. Y. 1953. 36 pages. $1.00.

GUIDE TO SELECTED READINGS IN RECORDS MANAGEMENT. National Records Management Council, Inc., Technical Information Service, 50 East 42 Street, New York 17, N. Y. 1954. 28 pages. Gratis.

SAFETY DEVICES AND IDEAS. Published by National Safety Council, 425 North Michigan Avenue, Chicago 11, Ill. 1954. 48 pages. $2.50 ($1.25 to Council members).

A STUDY OF PERSONNEL PRACTICES FOR COLLEGE AND UNIVERSITY OFFICE AND CLERICAL WORKERS. By Wilbur D. Albright. College and University Personnel Association, 809 South Wright Street, Champaign, Ill. 1954. 132 pages. $2.50.

WAGES AND RELATED BENEFITS: *Major Labor Markets, 1953-1954.* Bulletin No. 1157-1, Bureau of Labor Statistics. For sale by the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. 1954. 116 pages. 60 cents.

INSURANCE: *Principles and Coverages.* By George G. R. Lucas and Ralph H. Wherry. Rinehart & Company, Inc., 232 Madison Avenue, New York 16, N. Y. 1954. 390 pages. $5.00.

THE TECHNIQUES OF READING: *An Integrated Program for Improved Comprehension and Speed.* By Horace Judson with Kenneth P. Baldridge. Harcourt, Brace and Company, New York, 1954. 420 pages. $4.75.

JOBS? OR JOBLESS PAY? *The Real Issue Behind the New Guaranteed Wage Proposals.* Chamber of Commerce of the United States, Washington, D. C. 1954. 90 pages. $2.00.

GUIDES FOR LABOR ARBITRATION. Published for the Labor Relations Council of the Wharton School of Finance and Commerce by the University of Pennsylvania Press, Philadelphia, 1953. 16 pages. $1.00.

MOBILITY OF CHEMICAL WORKERS IN A COAL-MINING AREA. By Gerald G. Somers. Bureau of Business Research, College of Commerce, West Virginia University, Morgantown, W. Va. 1954. 48 pages. Gratis.

JOB EVALUATION: *A Basis for Sound Wage Administration.* By Jay L. Otis and Richard H. Leukart. Second Edition. Prentice-Hall, Inc., New York, 1954. 522 pages. $6.50.

RICH'S OF ATLANTA: *The Story of a Store Since 1867.* By Henry Givens Baker. Division of Research, School of Business Administration, Atlanta Division, University of Georgia, Atlanta 3, Ga. 1953. 412 pages. $7.50.